

AFRICA'S LAST COLONIAL CURRENCY



THE CFA FRANC STORY

FANNY PIGEAUD AND
NDONGO SAMBA SYLLA

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Fanny Pigeaud and Ndongo Samba Sylla

Translated by Thomas Fazi

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Foreword

Metropolitan France was torn in 2019 by the uprising of the *gilets jaunes*, who give credence to the prediction made by Christian Guilly in his 2016 book *Le crépuscule de la France d'en haut* that there would be a 'modern slave rebellion' against low pay, high unemployment, and high taxation, all of which has spawned rising inequality and a depressed material outlook among the working class in '*La France périphérique*'.

Guilly's culprits are the '*bourgeois-bohèmes*' or 'bobos', the urban elites who have 'supported the economic policies of the upper class for 30 years now', which reward them with well-paid employment, superior status, rising wealth through housing price inflation, often through the gentrification of traditional working-class suburbs, access to a diversity of cultural pursuits and more. While they have embraced globalism, the 'working class', who live and struggle outside the 'new citadels', have increasingly been left behind.

To accentuate the divide, these global beneficiaries adopt a rather schizoid attitude to the disadvantaged. The 'bobos' speak of international solidarity, and advance 'the Kantian dream of cosmopolitan republicanism'.¹ But then, as if forgetting their bountiful faith in humanity, they accuse those who support Brexit or the breakup of the EU, for example, as being 'particularists', racists, xenophobes, nationalists, who have abandoned their moral responsibilities to a greater humanity. This disdain soon morphs into accusations about fascism and the like.

Guilly's thesis helps us understand how the disdain for Brexit among the urban, educated elites, who otherwise advocate progressive policies, compromised the British Labour Party so much, that it reneged on its promise to support the June 2016 Referendum and suffered catastrophic damage to its electoral standing.

La France périphérique is in rebellion, albeit somewhat disorganised. But the shift in outlook is undeniable. And it has been exacerbated and engendered by the fact that the traditional political voices of the working class, the Socialist Party, has been complicit in introducing policies that have worsened the divide.

These trends illustrate how neoliberalism has evolved. Our meaning of the term ‘periphery’, which entered the lexicon via world systems theory, has evolved. The underlying neoliberal ideology that has created these urban–regional divides in our advanced nations in recent decades is, in fact, an advanced expression of the earlier extractive mechanisms that the wealthy have used for centuries to further their ambitions through invasion and occupation (colonialism). In that context, the ‘periphery’ referred to the less developed nations who were functionally related to the ‘core’ nations, where wealth and economic power was concentrated.

A question I asked when I started working as a development economist was: why are African nations so poor, when they possess massive resource wealth and burgeoning populations, that would achieve high levels of education and skill development in advanced nations?

The traditional theory of economic development (modernisation theory) suggested that nations begin as undeveloped, primitive societies, and through industrialisation and development of governance institutions, transcend to developed status. A middle class forms as incomes grow and an export-orientation is then encouraged.

Accordingly, impoverished Africa requires interventions from advanced nations to make it rich. But the rival dependency theory, considers Africa to be ‘rich’ with its assets being continually drained to the benefit of core wealthy nations.

Dependency theory was developed to articulate this extractive process. We learn that the ‘core’ is reliant on exploiting resource flows from the ‘periphery’. The rich nations do not invest in income-poor nations to make them richer. This extractive process is necessary for the continued material prosperity of the ‘core’ nations and the prevention of realisation crises. The exploitation evolved over time from brutal slavery regimes to more sophisticated and less obvious means of maintaining political and economic servitude.

In his 1967 book *Capitalism and Underdevelopment in Latin America*, Andre Gunder Frank, a fierce critic of the free market approach espoused by his mentor Milton Friedman, argued that the nations that we now consider to be developed were never ‘undeveloped’ in the way we view African nations. Rather, the nations that are called undeveloped have a unique role in the world system unlike anything that the rich countries have ever played. He argued that the underdeveloped nations serve ‘as an instru-

ment to suck capital or economic surplus out of ... [the] ... satellites and to channel ... this surplus to the world metropolis.²

What the mainstream considers to be a rather benign supportive role being played by the colonialist, is better seen as rich nations establishing processes (supported by institutions such as the IMF and the World Bank) to ensure that resources flow to the benefit of the advanced world. These processes, which include legal frameworks, tax rules, privatisation, and the imposition of fiscal austerity, undermine the opportunities of the 'income poor' nations to benefit from their own resource riches. The middle class that forms work with the localised upper class to drain the resources in favour of the richer nations even more efficiently.

COLONISATION AND DECOLONISATION

The *Scramble for Africa* carved up Africa among the advanced powers after they had successfully invaded the continent. A.G. Hopkins talks of the 'plunderers' who depicted the Africans as 'being primitive and barbaric',³ which was a convenient smokescreen to legitimatise the invasions.

The sense of plundering chaos reached such levels in the early 1880s that war between the colonial claimants was seemingly inevitable. Britain and France, for example, were at odds over their claims in West Africa. The likely conflicts prompted Count Bismarck to organise the Berlin Conference in 1884 to provide a European-centric framework to regulate the 'Scramble' and the resulting trade. Most European nations were represented, but the people of Africa were completely ignored. It was as if they were inanimate objects in the colonial quest for wealth and 'glorie'.

The agreed partition of Africa provided rather orderly circumstances for the colonial extractive mechanism to operate. For many years, the colonies enriched the metropolitan economies. But the pressures to decolonise were evident even 'before the colonial conquests had been completed'.⁴ These pressures mounted after World War II, with Britain leading the way, although very few nations let go without being involved in violent struggles with local independence movements. Over time, it became obvious to all that 'the old colonial nexus was not viable, nor indeed necessary to metropolitan interests'.⁵

After failing to stem the Algerian independence movement, which led to the demise of the Fourth Republic in 1958, the new president, Charles de Gaulle, immediately offered the colonial elites in their colonies a 'loaded'

independence deal, which would continue to tie the new nations to France. The elites saw their own interests more aligned with France than the fortunes of their people. This was at a time when France was undergoing reconstruction after its economy had been devastated in World War II and it needed the resource wealth in its colonies. Its currency was weak and so it had to work out a way to continue extracting that wealth on favourable terms.

THE CFA FRANC

Currency arrangements established by the colonial powers have been a crucial part of this process. Modern monetary theory (MMT) shows that a currency is intrinsically related to the way the government is able to shift productive resources from the non-government sector to the public sector in order to fulfil its socioeconomic mandate. In the context of colonial, and then neo-colonial, relations, currency arrangements also served to facilitate the transfer of wealth from colonies to the metropolis.

During the colonial era, local producers were forced to trade under exclusive arrangements, which favoured the colonialist. Colonies were forced to take on debt at punitive rates and default led to disastrous compensations being enforced by the bankers.

The situation hardly changed after independence, which hampered the ability of the newly independent states to foster industry. Trade with Europe required an infrastructure (transport, legal services, insurance services, etc.) that the new states did not control and were forced by the metropolis to pay hefty contract fees.

The direct-rule colonial arrangements were thus replaced by *Françafrique*, the political and economic framework for control and exploitation. As a key part of this strategy, the French introduced a common currency in 1945 for several African colonies – the CFA franc (originally franc des colonies françaises d'Afrique). The official French government line was that the currency would protect the colonies from inflation arising from the devalued French franc, a consequence of the devastation experienced during World War II.

Despite this maintained air of benevolence, the CFA franc has, according to Fanny Pigeaud and Ndongo Samba Sylla, maintained a 'devious' system of exploitation and serves to guarantee 'France's economic control of the colonies' and facilitate 'their wealth's drainage towards the then economically fragile metropole'.

They write that the CFA franc:

is the most powerful weapon of the 'Françafrique', this peculiar neocolonial system of domination that the French state established on the eve of the independence of the former colonies, with the precise aim of preserving the advantages of the colonial pact.

The CFA franc is issued in two currency blocks by separate central banks – Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) and the Banque des États de l'Afrique Centrale (BEAC). The French can veto their decisions and monetary policy is set by the ECB (previously the Banque de France). The settings reflect European priorities.

The CFA franc is pegged against the euro (previously the French franc) and the French Treasury guarantees convertibility with the euro. The 'cost' for this guarantee is that the BCEAO and the BEAC have to deposit 50 per cent of their foreign reserve holdings with the Treasury, receiving low returns (sometimes even negative real returns). This control of reserves means all cross-currency transactions involving the CFA Franc have to be mediated by the Treasury.

THE CREEPING NEOLIBERALISM IN THE PRE-EURO YEARS

Things didn't improve for the former African colonies after France joined the eurozone. In fact, a nasty cocktail has emerged with the ongoing currency arrangements, merging with the neoliberal austerity bias of the eurozone to further limit hopes for African prosperity. The unseemly colonial resource grab thus morphed, later, into a neoliberal regime that maintained the extraction mechanisms and increased inequality. But it was a creeping process.

On 28 May 1975, 15 Western African nations established the Economic Community of West African States (ECOWAS) after signing the Treaty of Lagos. The process that followed had the fingerprints of the Europeans all over it. The intent was to create a West African clone of the European economic and monetary union 'with a mandate of promoting economic integration in all fields of activity of the constituting countries'. But the region has been burdened by high unemployment and rising poverty rates.

ECOWAS initially proposed to introduce a single currency across the entire region. The integration plans mirrored the sorts of debates that

were going on in Europe. As in the latter case, little agreement could be reached on a specific implementation plan. In 1987, ECOWAS launched the 'ECOWAS Monetary Cooperation Programme' (EMCP), reasserting the aim to introduce a common currency for all member states by 2000. Little progress had been made by 1999. The 2000 Accra Declaration proposed a new currency merger with six non-CFA franc nations and the creation of the West African Monetary Zone (WAMZ).

As in the Maastricht process, all the major questions that should have been posed and answered were largely avoided. The independent research studying the ECOWAS proposal was not supportive.⁶ But just as the European Commission ignored advice that the proposed eurozone would not constitute an optimal currency area, ECOWAS also ignored the same reality.

By pushing ahead with the so-called convergence criteria, ECOWAS introduced an austerity bias, in the same way that the eurozone member states had done in the 1990s. In trying to meet the convergence criteria, GDP growth fell sharply, and unemployment remained at elevated levels as fiscal austerity did its work, as expected. As a result of the ongoing failure to meet the criteria, ECOWAS regularly pushed out the planned introduction date – first 2000, 2005, 2010, 2014, 2015 and now January 2020.

In June 2019, despite a senior ECOWAS official describing the situation as 'dismal', ECOWAS agreed to launch a new currency, the eco in January 2020. It will be the CFA franc by another name – pegged against the euro at a rate largely set by France, who will retain the control of convertibility with the euro. *Plus ça change, plus c'est la même!*

President Macron recently announced that the CFA franc would be terminated and replaced with this new currency the 'eco', which was a ploy by France to maintain control of the eco process to ensure it remains part of the ongoing extractive mechanism. And the Ivory Coast president who is supporting Macron in trying to break the ECOWAS grip on the process, wants to alter his nation's constitution to allow him to retain office. He hopes France will support that plan. The introduction of the eco will change very little.

FREE TRADE AGREEMENTS AND WEST AFRICA

Colonial oppression of West Africa will also continue through the proposed 'free trade agreement' (EPA) between the EU and West African nations. Not

content to ruin prosperity in the eurozone, the EU has pressured some of the poorest nations in the world to adopt the same sort of failed monetary and fiscal arrangements and then sign 'free trade' agreements which will accelerate the extraction process.

The EPA is biased against development by design. CONCORD concluded that the EU negotiated the EPA to benefit Europe, and West African nations would be pressured to make heavy cuts to public spending, which currently supports 'the building of schools and hospitals, support for family farming, and other public services'.⁷ What institutions like the European Commission, the IMF or the World Bank never admit is that the advanced nations of the world today could never have become wealthy following the strategies that they now force on to the poor nations through these arrangements. Protection from external competition, use of regulation, and continued fiscal support to develop infrastructure, education and health services is essential for the development process. This is the very antithesis of the EPA approach.

When the African nations demurred, the European Union 'threatened all the non-LDC ACP countries with loss of free access to the European market'.⁸ Many West African nations succumbed and signed the deal. Nigeria, the largest economy, remains 'opposed to the agreement ... in order to protect national industries and to create local jobs for young people' and understands that it would not have legislative independence to determine its own strategy under the EPA.

CONCLUSION

Fanny Pigeaud and Ndongo Samba Sylla also provide readers with a progressive alternative, which mirrors MMT insights, in highlighting the 'big advantage' that a state enjoys if it has 'its own sovereign currency'.

William F. Mitchell



Introduction

Yapsy, a talented artist from the Ivory Coast, is the author of a great cartoon which has been circulating on social networks since August 2016. It depicts two ships. The one on the right carries a famous building in Abidjan, the Ivorian economic capital: an arch formed by two enormous elephant tusks displaying an Ivorian flag. The one on the left carries the Eiffel Tower flying the French flag. On the latter's bow, a character resembling General de Gaulle holds a pair of scissors in his hand: he has just cut the rope tethering the two ships. 'August 7, 1960, I solemnly declare you independent!', he exclaims. On the Ivorian ship, a crowd dances and yells joyfully: 'Wooooooo!!!!'. None of the revellers seems to realise what is happening under the water's surface: another rope – still intact – continues to bind the two ships. It bears the inscription 'FCFA', which stands for 'CFA franc'.

This tether, invisible but firmly secured, is not the product of Yapsy's imagination: it actually exists and has been in place since the colonial period, precisely since 1945, when the CFA franc was created. It doesn't bind France only to the Ivory Coast, but to a total of 14 countries, grouped into two monetary zones: the West African Economic and Monetary Union (WAEMU, also known by its French name UEMOA: *Union économique et monétaire ouest-africaine*), comprising Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo; and the Central African Economic and Monetary Community (CEMAC from its name in French: *Communauté Économique et Monétaire de l'Afrique Centrale*), which includes Cameroon, Gabon, Chad, Equatorial Guinea, the Central African Republic and the Republic of the Congo. These two monetary unions each have their own central bank. They use two distinct CFA francs, but which share the same acronym: for the CEMAC franc, CFA stands for 'Financial Cooperation in Central Africa', while for the WAEMU franc it stands for 'African Financial Community'. The two CFA francs work in exactly the same manner and are pegged to the euro with the same parity. However, the CFA banknotes of these two monetary unions are not directly convertible into one another: if you want to exchange a CFA franc of the CEMAC for a CFA franc of the WAEMU, or vice versa, you generally have to go

through the euro. A fifteenth state, the Comoros, uses another franc, the Comorian franc, but is also linked to France by the same rope. These 15 states comprise the so-called 'franc zone', an area governed by common principles of monetary management. Overall, more than 162 million people use the two CFA francs (plus the Comorian franc), according to the UN.

To lay people, monetary issues can often appear obscure or prohibitive due to their technical nature. This is also due to the fact that experts from the field don't always make an effort to facilitate an informed democratic debate. And yet, there is nothing more 'political' than money. None other than Aristotle, in *The Nicomachean Ethics*, points out that the Greek word for money, *nomisma*, has the same etymological root of the word for law, *nomos*. But we don't need ancient philosophers to tell us that: we all understand, or at least perceive, the inevitable role played by money in our lives.

The African citizens who live under the 'CFA system', but also the Europeans, and above all the French, who reap the benefits of the system, should know its history, functioning and consequences. However, most people are not adequately informed on the matter. Even though the topic is gaining visibility, the CFA franc has long been kept at a safe distance from public debate, in Africa as well as in France. From the 1970s onwards, many African economists have produced important critical analyses.¹ Unfortunately, these did not get the attention they deserved. As for France, academics have shown little interest in these Franco-African currencies. And those who have, have often failed to take into consideration all angles, putting forward very 'francocentric' analyses. In general, there are few accessible works that would allow the citizens of the two continents to fully understand the question of the CFA franc and the latter to fully enter into the democratic debate.

SIMULACRA AND FICTIONS

This situation owes nothing to chance. It is even, to some extent, engineered. Since the colonial period, every effort has been made to ensure that the users of the CFA franc know as little as possible about the device hidden behind these three enigmatic letters. It is precisely this invisibility, or more precisely this smokescreen, that Yapsy's underwater rope illustrates so well. The reason for this concealment is easy to understand: the mechanism underlying the CFA franc is simply devious.

In the past, French colonial propaganda presented the 'motherland' as a benign force that protected Africans. Thanks to France, it was said that

the continent was progressing towards prosperity and wellbeing. In 1950, the 5,000-franc banknote used in the colonial empire depicted Marianne, the symbol of the French Republic, reassuringly embracing two African figures. The aims of the CFA franc were, in fact, quite different: guaranteeing France's economic control of the colonies and facilitating their wealth's drainage towards the then economically fragile metropole.

Nowadays, the French government says that the CFA franc has become an 'African currency' run by the Africans themselves; however, as we will see in the following pages, this statement deserves to be seriously called into question. For sure, the design of the banknotes and the staff of the central banks have been 'Africanised': Marianne and the 'heroic figures' of imperial France have been replaced by savannahs and African national monuments. But these clichés conceal a very different reality: to this day, the coins and notes used daily by the Africans of the franc zone continue to be manufactured in the former metropole, and specifically in the department of Puy-de-Dôme, and in Pessac, in the department of Gironde.

There is then an even more disconcerting, though more imperceptible, fact: it is in Paris that all the major decisions concerning the CFA franc are taken. The central actor of this system is the French Treasury, which answers to the French Ministry of the Economy and Finance and *de facto* has the power to determine the external value of the CFA franc. Moreover, all the foreign exchange transactions (the purchase or sale of CFA francs) of the 15 countries of the franc zone have to go through the French Treasury. This makes France the only country in the world that directly manages, albeit opaquely, a set of currencies *a priori* distinct from its own. Without a doubt, it confers upon France an 'exorbitant privilege', to borrow the famous phrase used in 1964 by Valéry Giscard d'Estaing, the then French finance minister, to stigmatise the hegemony of the American dollar.

On those rare occasions in which the French authorities grudgingly admit Paris's sovereignty over the CFA franc, they resort to the lexicon of solidarity and altruism: France acts in a completely disinterested manner, they say. As we will see, this is not the case. The spirit and purpose of the device on which this colonial creature rests remain the same as when it was created in 1945. Indeed, the CFA franc is much more than just a currency, allowing France to manage its economic, monetary, financial and political relations with some of its former colonies according to a logic functional to its interests. It is the most powerful weapon of the 'Françafrique', this peculiar neocolonial system of domination that the French state established on

the eve of the independence of the former colonies, with the precise aim of preserving the advantages of the colonial pact.

The history of the CFA franc – which combines colonialism, economics, commerce, geopolitics and diplomacy, all in a context of (more or less outright) repression – is ultimately the story of a country, France, which hasn't yet given up on its colonial past, and of those African states whose leaders have been reluctant to 'cut ties' with the former colonial power and realise the aspirations of their peoples.

No one knows how long this story will last. For political, economic and demographic reasons, however, the future of the CFA franc appears increasingly uncertain. Without necessarily knowing all the technical details of the case, a growing number of African citizens are realising that it will be impossible to freely determine their own destiny without true monetary sovereignty. In recent years, the voices calling for 'an end to the CFA franc' have multiplied, on the streets, on social media, and in intellectual or artistic circles. The countdown may have begun.

In this context, it is essential to understand the issues that surround these Franco-African currencies. To this end, we will begin by examining the origins of the CFA franc and its overall functioning (Chapters 1 and 2). After that, we will examine the evolution of Franco-African monetary relations, focusing on the experiences of those countries that left the franc zone in the decades following independence (Chapter 3). We will then show how France continues to remain firmly in charge of the CFA system (Chapter 4), and why the CFA franc remains an essential weapon of French neocolonialism (Chapter 5) and fails to promote a development worthy of this name in the countries that use it (Chapter 6). Finally, we will question the future of the CFA franc, examining the demands of African movements and intellectuals fighting for economic and monetary sovereignty, the responses that the political and monetary authorities of the franc zone are trying to provide, and the possible exit options from the monetary status quo that have been conceived thus far (Chapter 7).

1

A Currency at the Service of the 'Colonial Pact'

'Everyone can create money, the problem is to get it accepted' was one of American economist Hyman Minsky's catchphrases.¹ France, like all the other colonial powers, during the nineteenth and twentieth centuries endeavoured to get its currency 'accepted' – or rather, to impose it – in the territories it conquered on the African continent.

Unlike all the other colonial powers, however, France managed an incredible feat: to maintain its monetary empire built around the CFA franc even after the African countries officially gained their independence. This is why today people talk of the CFA franc as a 'colonial relic', a 'vestige of colonialism' or, more simply, as a 'neocolonial currency'.

THE IMPOSITION OF THE FRENCH CURRENCY

During the pre-colonial period, different types of currencies circulated on the African continent. Rubber balls, iron and copper bars, shells, zinc fragments, cotton wool, brass wires, glass beads and porcelain grains were just a few of the materials used as means of transaction. Money was certainly a medium of exchange and payment but it was, above all, an institution that helped reconfigure social relations.² For this reason, it was entrusted 'to the elderly, to the village leaders, who were responsible for protecting the binds between the community and its founders'.³ The cowries, a shell found in the Indian Ocean,⁴ called *timekla* by the Tuareg and *oudà* in Timbuktu, and particularly widespread among the Yoruba, a people of Nigeria, was long used in West Africa, which in fact was known as the 'cowrie zone'. It was at the centre of the construction of powerful pan-African trade networks, particularly in the western Volta region, located in present-day Burkina Faso, and in Sudan in present-day Mali.⁵ In the first half of the eighteenth century, cowries even had an official exchange rate vis-à-vis the *livre tournois*, the prevailing unit of account in France from the Middle

Ages until 1795, when the franc became the only currency in the country. In 1724, 1,000 cowries were worth 960 *deniers tournois*, a sub-multiple of the *livre tournois*.⁶ However, like the other African currencies, the cowrie gradually lost its influence.

One of the main objectives of the European powers' colonial enterprise in Africa throughout the nineteenth century was the appropriation of most of the continent's riches through the establishment of commercial regimes to the benefit of the metropole. To this end, the colonial powers had to control the circuits of production and exchange, which in turn requires controlling the currency. To curb local resistance and get their currencies accepted, the colonisers used all the means of pressure at their disposal and didn't hesitate to resort to colonial law and violence.

As it expanded and consolidated its colonial rule, France gradually succeeded in spreading its currency. In 1825, King Charles X minted the first coins bearing the inscription 'French colonies', which were to serve as a unit of account in Gorée, a small island off present-day Senegal, at the centre of the slave trade for at least two centuries. In 1830, France demanded that transactions with 'native' intermediaries along the West African coast be carried out in its own currency. The objective was to counter the domination of the English trading companies. The long and violent French conquest of Algeria, from 1830 onwards, accelerated the imposition of the colonial monetary system: after defeating the Emir Abdelkader, the French authorities established, in 1851, a colonial bank, the Bank of Algeria, under the supervision of the Bank of France.

In sub-Saharan Africa, the French government also resorted to force in the two federations it had created, French West Africa (*Afrique occidentale française*, AOF), created in 1895, which included eight colonies: Dahomey (present-day Benin), Ivory Coast, Guinea, Upper Volta (present-day Burkina Faso), Mauritania, Niger, Senegal and Sudan (present-day Mali); and French Equatorial Africa (*Afrique équatoriale française*, AEF), created in 1910, which included four colonies: Congo, Gabon, Ubangi-Shari (the present-day Central African Republic) and Chad. Cameroon and Togo, at the time under German rule, were annexed to the French Empire after World War I.

At the end of the nineteenth century, soldiers were sent in the vicinity of Lake Chad with the objective, among other things, of 'organising small fair markets in which the French currency would be the only legal currency'.⁷ According to the historian and numismatist Régis Antoine, 'the peas-

ants were forced to sell their goods and their reluctance to use the "franc" was attributed to their stupidity.⁸ In 1895, in the Ivory Coast, the colonial authorities forbade the use of the manilla, a form of money made from bronze. In 1907, they forbade the importation of cowries and the payment of colonial taxes with this currency within the AOF.

Such authoritarian measures were not always successful in overcoming local resistance. There were many reasons why the local populations were reluctant to adopt the French currency. Not only did they struggle to become familiarised with the singularity of the calculation system, but the coins were hard to store due to their small size, and the poor quality banknotes resembled pieces of cloth. But it was above all the association of the colonial currency with taxes that caused its rejection, as the colonial administration demanded that the innumerable taxes that oppressed the colonised be regulated in this currency. The taxation of the 'indigenous' certainly helped to raise revenue, but its main purpose was to forcibly convert local societies to the colonial capitalist system. The demonetisation of the cowries was imposed in 1922. Three years later, an amendment to the *Code de l'indigénat* – the legislation in force in the French colonial empire – introduced the obligation to use the French franc in trade transactions under the threat of penalties. In all, it took France almost 50 years to get the franc 'accepted' in its African colonies.⁹

The central role of the colonial banks

The replacement of indigenous currencies with colonial currencies¹⁰ – what anthropologists call 'monetary transition' – would not have been possible without the colonial banks. One of the first to see the light of day in France's African empire was the Bank of Senegal. Based in Saint-Louis, a city in northern Senegal, it began operations in 1855 thanks to the 'reparations' paid by the French state to the slave owners after the abolition of slavery on 27 April 1848.¹¹ The 'loans and discount' bank was controlled by the Bordeaux trading companies, in particular Maurel and Prom, who used it to curb the development of their African competitors by preventing them from accessing the credit needed to purchase local and imported products.¹²

The Bank of Senegal was dissolved in 1901. It was immediately replaced by the Bank of West Africa (*Banque d'Afrique Occidentale*, BAO), based in Paris. With a law of 1901, this new financial institution obtained the privilege of issuing francs, under the supervision of the Bank of France:



from that moment on, it was tasked with the issuance of the coins and banknotes used in the African part of the empire. The BAO thus became 'the only credit institution to simultaneously play the role of issuing bank, commercial bank and investment bank'.¹³ It operated exclusively at the service of French metropolitan interests and in particular of the French import-export companies to which it devoted most of its resources, at the expense of their African rivals. The law of 29 January 1929 renewed its privilege of issuing the franc in the AOF, in the AEF, in Cameroon and in Togo. Four years earlier, a law passed on 22 December 1925 had created the Bank of Madagascar, which enjoyed the privilege of issuing the currency in this territory and in its dependencies. In 1943, the BAO would hand over its issuing rights in the AEF and in Cameroon to the Central Fund for the French Overseas Territories (*Caisse Centrale de la France d'Outre-mer*, CCFOM), a public institution originally founded in 1941 under the name of Central Fund of Free France (*Caisse Centrale de la France Libre*).

Subsequently French deposit banks also arrived on the continent. In 1939, the National Bank for Trade and Industry (*Banque nationale pour le commerce et l'industrie*) opened its doors in Senegal, followed by Cr dit Lyonnais and Soci t  G n rale. They were integral elements of the so-called 'trading economy' (*' conomie de traite'*), a term that refers to the drainage of local resources – human beings, agricultural products, raw materials of various types, silver, etc. – towards the various metropolises.¹⁴ These banks favoured the coastal regions (Senegal, Dahomey, Ivory Coast) to the detriment of the inland regions (French Sudan, Upper Volta, Niger) and exclusively financed the production destined for France. Their clients were essentially private colonial companies specialised in trading activities, which often benefited from monopoly situations.

Overall, the banks and companies in question responded to the logic of the 'colonial pact',¹⁵ which was centred around four fundamental rules: the colonies were forbidden from industrialising, and had to content themselves with supplying raw materials to the metropole which transformed them into finished products that were then resold to the colonies; the metropole enjoyed the monopoly of colonial exports and imports; it also held a monopoly in the shipping of colonial products abroad; finally, the metropole granted commercial preferences to the products of the colonies.¹⁶ This 'colonial pact' established relationships of dependence that forced the colonies to constantly adapt to the economic conjuncture of the metropole and to the requirements of its economic development.

PARIS CREATES THE 'FRANC ZONE' (1939)

In the interwar period, France reorganised its colonial empire. Marked by the global economic crisis of 1929 and by a strong rivalry between the great

powers, which all resorted to protectionist measures of various kinds, this period, alongside the dissolution of the international monetary system, witnessed the birth of new forms of trade and monetary integration.

In 1931 Britain abandoned the gold standard regime. In force between 1870 and World War I, this monetary system was resurrected in the second half of the 1920s. It was based on gold: the various currencies (sterling, dollar, franc, etc.) were defined as a fixed weight of gold and were freely convertible into this international means of payment. Through this mechanism, the currencies were pegged to each other according to fixed metal parities and therefore their values remained stable. In order to guarantee the convertibility of their respective currencies, the central banks had to limit the issuance of money to the gold reserves available to them.

Once out of this regime, the United Kingdom established a monetary zone organised around its currency, the British pound. Called the 'sterling area', it included countries that had adopted the pound sterling as a national currency or whose currency was pegged to it or which held their reserves in that currency. London's goal was to protect the value of its currency and promote trade within its colonial empire. The British authorities established free trade rules within the aforementioned area, while adopting protectionist measures in all relations between the empire and the outside world.

France soon followed on Britain's heels. In 1936 it also abandoned the gold standard. At the start of World War II, in 1939, the French government banned all trade and financial transactions between metropolitan France and foreign countries. In the following months, these measures were also imposed on the colonial empire, officially marking the birth of the 'franc zone' (although the measures in question were not always observed due to the war).

Whereas the sterling area encompassed the British colonies and dependencies, but also a number of sovereign countries, the franc zone, organised around the metropolitan franc and comprising solely the French colonies and dependencies in Africa, Asia, the Pacific, the Americas and the Antilles, was relatively smaller and less prosperous. Another difference was that the franc was not a major international currency, unlike the British pound, which was a reserve currency, that is, one of the main currencies in which the foreign assets of central banks, international trade transactions and global financial assets were denominated.¹⁷

The franc zone, however, was based on the same logic as the sterling area: free trade within its borders, protectionism vis-à-vis the outside world. It

was governed according to an extremely centralised logic that allowed France to control the currency and to coordinate foreign trade in the area. A common exchange policy was also established. In concrete terms, this meant that the rules relating to foreign currency transactions between the franc zone and the outside world were decided in Paris and applied uniformly to the whole area. It also meant that the zone's imports were subject to the French state's authorisation since they involved purchases of foreign currency to pay for them. To this end, a foreign exchange stabilisation fund was established, under the supervision of the Bank of France, which centralised and pooled all the currencies of the zone. This fund held a monopoly on the purchases and sales of foreign currency throughout the area. As for the coordination of foreign trade, it consisted of organising trade within the colonial empire with the dual objective of separating the colonies from the world market and establishing privileged commercial relations between the metropole and its empire: the territories of the zone had to grant commercial preferences to the metropole (favourable tariffs, common customs duties in the whole area, export quotas that had to be directed towards the metropolis, etc.).¹⁸ France now had an arsenal that allowed it to protect its currency and trade.

Despite these measures, World War II fragmented the relations between the metropole, divided between the forces that supported the German occupation and those of the Resistance, and the empire, which suffered the consequences of the metropole's ruptures. In 1945, Paris was forced to loosen its grip on its African colonies, which had played a decisive role in the war effort and whose populations, tried by the conflict, demanded better living conditions. The emergence of a whole range of new social and political claims in the colonies was further favoured by the position taken by the new great powers, the United States and the Soviet Union, in defence of the 'the right of the peoples to self-determination'.

At the Brazzaville conference, held in February 1944, General de Gaulle, head of the French Committee of National Liberation (*Comité français de Libération nationale*, CFLN), pledged to improve the material and moral wellbeing of the colonies. Six months later, for example, trade union freedom was recognised in the territories in question. In 1946, freedom of association was established, forced labour was abolished and French citizenship was extended to the colonised territories, which were also granted better political representation. An investment fund for the economic and social development of the overseas territories (*Fonds d'investissement pour*

le développement économique et social des territoires d'outre-mer, FIDES) was also created. These reforms came into force at the same time as the 'French Union' regime was established, which, ratified by the Constitution of 27 October 1946, unified the metropole with the colonies, now called 'overseas territories'.

From an economic point of view, the war had taken a heavy toll on France. There were frequent shortages and inflation had reached alarming proportions: 150 per cent between 1939 and 1944, compared with 30 per cent in the United States and the United Kingdom.¹⁹ The public deficit and foreign debt levels were no longer sustainable. Foreign exchange reserves – gold and foreign currency holdings – were not sufficient to pay for imports. The franc's parity – that is, its value vis-à-vis the currencies of other countries – was no longer tenable under these conditions: a devaluation against the dollar and the British pound was inevitable. However, the war had not had the same impact everywhere: the metropole, where inflation had been higher than that observed in the colonies, had suffered the most. It was therefore necessary to devalue, but in different proportions depending on the geographical area, as the director of the Central Fund for the French Overseas Territories, André Postel-Vinay, noted in a report sent on 20 December 1945 to the Minister of Finance, René Pleven.²⁰

THE BIRTH OF THE CFA FRANC (1945)

Up until then, except for the piastre in Indochina and the rupee of Pondicherry (India),²¹ the currency used throughout most of the colonial empire had been the metropolitan franc, although the appearance of the notes and coins differed according to the issuing institution. The devaluation decided by Paris put an end to this 'monetary unity', leading to the birth of new monetary units in some parts of the empire.

On 25 December 1945, the decree No. 45-0136, signed by the president of the provisional government, General de Gaulle, finance minister René Pleven and the Minister of the Colonies Jacques Soustelle, created the franc of the French colonies of the Pacific (*Colonies françaises du Pacifique*, CFP) and the franc of the French colonies in Africa (*Colonies Françaises d'Afrique*, CFA). The CFA franc became the currency of the AOF, AEF, Cameroon, Togo, French Somaliland, Madagascar and Réunion.

The CFA franc came into being at the same time as a new international monetary system emerged after the so-called Bretton Woods agreements,

signed in July 1944 by 44 countries. This regime consecrated the undisputed hegemony of the United States and created new supranational institutions based in Washington: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (which later became the World Bank). In this system, all currencies had to be registered with the IMF and enjoyed a fixed (but adjustable) parity against the US dollar, the only currency that was convertible into gold; we were therefore in the presence of a 'fixed exchange rate' system. On 25 December, the French government announced to the Bretton Woods institutions the new parity between the franc and the dollar: from that moment on, a dollar would buy 119.10 francs (rather than 49.6 francs as before).²² The following day, 26 December, Paris declared the parity of the CFA franc: 1 CFA franc = 1.70 French francs. The CFA franc thus acquired an official status in the international monetary system.

On that same day, the French Constituent Assembly ratified the Bretton Woods agreements. It was the occasion for minister Pleven to state that the creation of the CFA franc, which put an end to the monetary unity between the metropole and its African territories, marked the 'end of the colonial pact'. This new system, the minister insisted, responded to considerations of fairness on the part of a metropole that 'showing its generosity and its selflessness, does not want to impose on its distant daughters the consequences of its own poverty'. And he added: 'This innovation corresponds to our desire, expressed at the Brazzaville conference, to take into account the interests of each of the territories that make up the French Union, to respect their needs and their local contingencies.'²³

Even though the devaluation of the metropolitan franc and the creation of the colonial francs could be seen as positive signs, the principles proclaimed by Pleven were far from being motivated by the 'generosity' of the French government. To begin with, the parity of the CFA franc had been set without taking into account the specificities of the different colonial blocks. During the war, inflation had been more pronounced in the AOF than in the AEF. If the French authorities had really wanted to 'take into account the interests' of each territory, they would have had to create two different currencies, one for the AOF and other one for the AEF, and to assign to each of them a different parity, in line with their respective economic situations. But that's not what they did. Worse still, Paris gave the CFA franc an excessive value – as mentioned, a CFA franc bought 1.70 French francs – that was incompatible with the economic strength of the AOF and AEF, onto which

a highly overvalued currency was imposed. The CFA franc was assigned a 'higher value' than that of the franc 'even though this had no economic justification whatsoever, even in the immediate aftermath of the war, and even less so afterwards,' observed the historian Hélène d'Almeida-Topor. This situation differed from that observed in the British colonies of West Africa, where the colonial currency was worth 'half as much as the British pound,' an exchange rate that reflected 'the differences in the standard of living between the metropole and the colonies.'²⁴

The CFA franc, a creature of the French Ministry of Finance, was actually designed to allow France to regain control of its colonies. During the war, these had diversified their commercial relations. In 1939, 85 per cent of the AOF's exports and 74 per cent of the AEF's exports were destined for the metropole; in 1945, these figures had fallen to 56 and 47 per cent respectively. During the same period, the share of their imports met by the metropole had decreased from 64 to 23 per cent for the AOF and from 45 to 4 per cent for the AEF.²⁵ However, the French economy, strongly weakened by the war, needed to regain its market share and secure the supply of raw materials once again. In this context, an overvalued CFA franc was perfectly functional to Paris's interests. The fact that its value was higher than that of the metropolitan franc made the products of the metropole cheaper. This would encourage the colonies to increase their imports from mainland France. At the same time, a strong CFA franc would have the effect of increasing the prices of colonial export products, thus making them more expensive than those of their competitors in Asia and Latin America. Therefore, in order to find outlets for their exports, the colonies would necessarily have to turn to the metropole. The trade flows of the colonies would thus be reoriented in favour of the metropole, which would benefit both in terms of exports and imports, without having to touch its foreign exchange reserves.

Far from marking the end of the 'colonial pact', the birth of the CFA franc favoured the restoration of very advantageous trade relations for France. The creation of this new currency also sanctioned the institutionalisation of a 'principle of automaticity': since the currency of the colonised territories was firmly pegged to that of the metropole, the colonies were deprived of the possibility of regulating the exchange rate of their currencies and therefore found themselves forced to passively endure the unilateral decisions of the metropole, which adjusted the external value of its currency according to its needs.²⁶ The 'overseas territories' would thus pay the price of the instability of the metropolitan franc. On 26 January 1948, the latter was subject

to a devaluation of 44 per cent. The CFA franc adjusted accordingly. On 17 October 1948, the metropolitan franc was devalued a second time, but at that point the French authorities decided to change the parity of the CFA franc: a CFA franc would now buy two metropolitan francs. When the 'new franc', termed 'heavy franc', was created on 27 December 1958, the parity of the CFA franc was maintained. Subsequently, between 1958 and 1986, the French currency would devalue four more times,²⁷ each time with heavy repercussions for the territories that used the CFA franc.

Some African deputies of the French National Assembly had understood that this principle of automaticity made the CFA franc a currency at the service of the 'colonial pact'. During the parliamentary session of 21 June 1949, Sourou-Migan Apithy, the future president of the Republic of Dahomey, deplored the lack of autonomy of the CFA franc: 'The CFA franc is not an independent currency, but a multiple of the metropolitan franc, to the same extent that a decilitre is a multiple of the litre', he said, referring to the fact that the CFA franc at the time was stronger than the franc. 'The history of the CFA franc [...] is the most eloquent demonstration of the strengthening of the colonial pact', said Gabriel Lisette, founder of the Chadian Progressive Party. The Senegalese Lamine Guèye, deputy of the SFIO (French section of the workers' international) and future president of the National Assembly of Senegal, also denounced the hypocrisy of the French Union, which on paper proclaimed the equality of rights and duties, but in practice recognised to overseas populations 'only duties and no rights'. The task of the colonised territories was 'to produce a lot, to produce beyond their own needs and to produce to the detriment of their more immediate interests, in order to allow the metropole a better standard of living and a safer supply'. The territories themselves also had a duty to 'sell their products below world prices even though they had the opportunity to sell them at those prices', 'to buy above world prices even though they had the possibility of doing otherwise' and, finally, 'to avoid using the currency from the sale of our products'. Lamine Guèye thus concluded his speech: 'What have we received in return? Only promises.'²⁸

Such criticisms, however, did not in any way affect the functioning of the CFA franc. France made only some cosmetic changes in the following years, while maintaining full control of the system. The issuing institutions became public bodies: in 1955, the issuing bank of French Equatorial Africa and Cameroon and that of French West Africa and Togo were created. In 1959, these two institutions were replaced respectively by the Central Bank

of Equatorial African States and Cameroon (*Banque centrale des États de l'Afrique équatoriale et du Cameroun*, BCEAEC) and the Central Bank of West African States (*Banque Centrale des États de l'Afrique de l'Ouest*, BCEAO), both operating under the supervision of the French Treasury and based in Paris.

INDEPENDENCE WITHOUT ITS ATTRIBUTES

During the 1950s, anticolonial movements spread all over the world, driven by the defeat of France in Indochina in 1954 and the conference of 'non-aligned' countries, held in April 1955 in Bandung (Indonesia). At the same time as in some countries, such as Cameroon, it endeavoured to ferociously repress the local independence movements, France also began to develop solutions not to lose its colonial empire altogether. With the *loi-cadre* of 1956, it tried to defuse tensions by granting greater autonomy to the colonised territories. Returning to power in May 1958, General de Gaulle launched the idea of a 'Community' that would replace the French Union and unite the 'French nation' with the 'overseas territories'. He stated: 'Every territory will become a state that will govern itself, while areas such as foreign policy, defence, the currency, economic and financial policy, raw materials, the control of justice, higher education and distant communications will constitute a common domain.'²⁹

This generous 'pooling' actually concealed France's aim to maintain control over all the aforementioned areas by presiding over this community. On 28 September 1958, a referendum was organised: the citizens of each of the concerned African territories were asked whether they wanted to join the project or not. The 'yes' gained a majority everywhere except in Guinea, which took the opportunity to proclaim its independence soon thereafter. Thus the new regime of the 'Community' was born: the empire was safe. CFA became the acronym of 'French Community of Africa'. The monetary policy of the franc zone, however, remained firmly in the Paris's hands. The CFA franc remained the currency of the 'overseas' African territories and its parity remained fixed. The highest authorities in the Community – that is, in practice, the French authorities – were the only ones authorised to modify this parity.³⁰

In the early 1960s, the process of decolonisation of the African continent began, which heralded the gradual disintegration of the colonial empires of Britain, Belgium, Spain and Portugal and of their respective currency

areas.³¹ As they gained their independence, the former African colonies all adopted national currencies.

France was the only former colonial power to maintain its monetary zone in Africa. In this regard, however, it is necessary to distinguish the countries of North Africa from those of sub-Saharan Africa. Morocco and Tunisia, which were former protectorates, a status that guaranteed them a certain degree of political autonomy, obtained their independence in 1956 and immediately endowed themselves with a national currency. Transformed into French departments, Algeria gained its independence in 1962 after a long and bloody war: in this context, it would have been difficult for the Algerian leaders to give up a national currency, one of the most explicit symbols of sovereignty. The three countries of the Maghreb left the franc zone soon thereafter.

The situation was different in sub-Saharan Africa: caught off guard in Asia and North Africa, under pressure from armed nationalist movements in Indochina and in Algeria, France decided to play on the counter-attack in what remained of its empire. In order to preserve its sub-Saharan 'court-yard', despite a process of decolonisation that was deemed inevitable, French leaders made the decision of granting the sub-Saharan colonies an independence that would be pre-emptively devoid of any real substance. To this aim, Paris endeavoured to place its leaders of choice in all the main positions of power³² and to develop an arsenal of conditions that would allow it to maintain control over a series of strategic sectors. Before granting them 'independence', the French authorities forced the future states to sign a long list of so-called 'cooperation agreements'. The French prime minister Michel Debré summarised very clearly the principle of 'conditional' independence in a letter sent to his Gabonese counterpart Léon Mba in July 1960: 'We grant independence on the condition that the state, having gained its independence, endeavours to respect the cooperation agreements. [...]. There one does not go without the other.'³³

More than a cooperation agreement, it was a surrender of sovereignty. In spite of their formal political independence, the new states were obliged to entrust to the French state the management of their national sectors hitherto under the tutelage of the 'Community': foreign policy, defence, trade and exploitation of raw materials and strategic products, the economy, the currency, finance, higher education, merchant shipping, civil aviation, etc. France thus guaranteed the perpetuation of its 'natural rights' over the former colonies and their resources. This is what we read in the 'coopera-

tion agreement' concerning raw materials and strategic products that France signed with Gabon on the day of its independence, on 7 August 1960: 'The Republic of Gabon commits to facilitating the storage of strategic materials and products to the benefit of the French armed forces. Should it become necessary for security reasons, it also pledges to limit or prohibit exports to other countries.' In regard to the economic, monetary and financial agreement, it stated that the French Republic and the Gabonese Republic would retain 'their trade relations within the framework of a reciprocal preferential regime'.

The heart of this device – based on recognising the former colonies' formal rights that they were prevented from enjoying in practice – was the currency. France formally recognised the right of African countries to have their own currency and issuing institution but, in practice, denied them this possibility. The economic and monetary agreement collectively signed by the Central African Republic, the Republic of the Congo and the Republic of Chad, for example, stated: 'The states of equatorial Africa confirm their membership of the monetary union of which they are members within the franc zone.' Article 16 established that 'all the revenue and expenditure operations of the states of equatorial Africa will be made via the transfer or purchase of foreign currency on the Paris foreign exchange market'. This meant, as explained in the following chapter, that these countries were obliged to deposit their foreign currency in a special account at the French Treasury and to pass through the Paris foreign exchange market in order to carry out their transactions with foreign countries.

With regard to the legal follow-up of all these agreements, a leading role was played by the influential Secretary of State for Relations with the States of the Community, Jean Foyer. On 6 July 1960, the constitutional lawyer, considered one of the 'founding fathers' of the Fifth Republic, defended before the French National Assembly the bills concerning the 'cooperation agreements' signed with the Federation of Mali and the Republic of Madagascar (these two republics were the first to sign the 'cooperation agreements', respectively two days and one day after the proclamation of their independence). His words are very revealing of the way in which the colonies' independence was 'negotiated': 'We acknowledge the fact that two new independent states, whose history coincides with ours, wanted to sign agreements with us as their first act of sovereignty.' He continued: 'These states are reasonable; they understand perfectly that it is not the case to sever emotional, cultural and economic ties that have lasted so long.' Finally,

he stressed that it was crucial for France 'to obtain [from these countries] the promise of a reciprocal preferential regime in our economic relations and for these states to remain in the franc zone'.

On 11 July, Foyer defended the agreements with the Federation of Mali and the Republic of Madagascar before the Senate, by appealing to the weakness of the human, material, technological, financial and military means of these new states. 'France has the right to say that its colonisation [*sic*] has been a success. That is why it will live on.' He then listed some of the advantages that France would gain from these agreements: 'In matters of defence, these agreements guarantee the provision of bases whose global strategic importance does not need to be stressed. In economic terms, they guarantee preferential markets for our products. They allow us to pay in francs for purchases [from these countries].'³⁴ In other words, France did not need foreign currency, such as dollars, to buy goods and services from the countries that used the CFA franc.

As Yves Guéna, future minister and member of the Constitutional Council, would later say, 'the main aim has been achieved: independence without drama and friendship with France.'³⁵ Such was the particular mode of access to international sovereignty that France imposed on some of its former colonies. The only conflicting voices in France were those of the Communist MPs and senators who saw in the cooperation agreements a way for France to continue to dominate the African countries and hand them over to 'the interests of colonial companies', according to the words pronounced by senator Louis Namy on 11 July 1960, with the complicity of some African leaders acting as 'auxiliaries of colonialism', as the MP Paul Cermolacce declared on 19 July 1961. Pierre Villon noted how in the economic, monetary and financial fields the agreements tended 'to limit in practice a sovereignty recognised by the law. The agreement allows for the sale of strategic raw materials to countries other than France to be limited. Furthermore, the right to make trade, financial and customs agreements with any third countries is considerably reduced by the preferential regime and the obligation to consult with France, given the means of pressure that our country has vis-à-vis these young states.'³⁶

Hence, in the early 1960s, France's former African colonies, with some exceptions, maintained the use of the CFA franc, thanks to the 'cooperation agreements'.

2

The CFA System

The CFA francs and the Comorian franc are based on rules common to other monetary unions, but they also display specificities that are not found anywhere else. If one wants to understand the history of these particular currencies and the problems they pose, it is essential to understand some of the more technical aspects of the way in which they function. Thus far, citizens have mostly been kept in the dark about them, on the pretext that they would not be able to understand them. In reality, by hiding behind this veil, those who control the levers of the CFA system want to prevent economic and monetary issues from becoming too political.

FOUR FUNDAMENTAL PRINCIPLES

With the creation of the franc zone, in 1939, France aimed to transform its colonial empire into a commercial and monetary shield that would protect its economy in a context of international monetary, economic and political crises. This monetary union, which brought together the territories under French administration in Africa, Asia, the Pacific, the Americas and the Antilles, was based on a system of exchange rates that allowed France to control the purchase and sale of the various currencies, and therefore to defend the external value of the metropolitan franc against foreign currencies. Beginning in 1945, with the establishment of the colonial francs, the area incorporated several currencies: the CFA franc, the Moroccan franc, the Algerian franc, etc. Although they had different names, these currencies were all linked to the metropolitan franc through a fixed exchange rate and could be exchanged one for another without restrictions. They could therefore be considered as multiples or sub-multiples of the metropolitan franc. Since 'the currencies of the franc zone are freely convertible into each other without restrictions, at fixed rates, the franc zone can be considered a single currency, despite the diversity of denominations and the plurality of institutes of emission', noted the first report, published in 1953, of

the Monetary Committee of the Franc Zone (*Comité monétaire de la zone franc*, COMOZOF), created to 'coordinate the monetary emission within the franc zone'.¹

After World War II, Syria and Lebanon left the zone, along with French Somaliland. The three territories that made up Indochina – Vietnam, Cambodia and Laos – did the same in 1954. In 1955, the franc zone included metropolitan France and the Saar Protectorate (between 1947 and 1959), which used the franc; Guadeloupe, Martinique, Guyana, Morocco, Tunisia and Algeria, whose francs were pegged to the French franc with the same exchange rate parity; the territories of New Caledonia, French Polynesia and New Hebrides, a Franco-British condominium, which shared the CFP franc; and finally the territories of the AOF and AEF: Togo, Cameroon, Madagascar, the Comoros, Saint-Pierre and Miquelon, and Réunion, which used the CFA franc.

Having survived the independence of most former colonies, since 1962 the franc zone has included only the states of sub-Saharan Africa, as well as France and the three territories that use the Pacific franc: New Caledonia, French Polynesia and Wallis and Futuna. Today it includes three sub-units of countries in Africa: the West African Economic and Monetary Union (WAEMU, which includes Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, Senegal and Togo); the Economic and Monetary Community of Central Africa (CEMAC, which includes Cameroon, Congo, Gabon, Equatorial Guinea, the Central African Republic and Chad) and the Union of the Comoros. Each of these has its own central bank: the WAEMU has the Central Bank of the West African States (BCEAO), the CEMAC has the Bank of Central African States (*Banque des États de l'Afrique Centrale*, BEAC) and the Union of the Comoros has the Central Bank of the Comoros (*Banque Centrale des Comores*, BCC). The WAEMU and the CEMAC each have a different CFA franc: the former uses the franc of the 'African Financial Community', the latter the franc of 'Financial Cooperation in Central Africa'. The Union of the Comoros uses the Comorian franc. In this system, France enjoys the special status of 'guarantor'.

The functioning of the franc zone was well established when the African countries became independent. An evolution occurred in 1967: with the restoration of full convertibility in France, the French franc became once again freely convertible into other currencies and with it, indirectly, also the CFA franc. Since then, the franc zone no longer exists as a common monetary defence zone, but can be considered an area of 'monetary cooperation'.²

whose membership entails the opening of an 'operations account', which we will analyse in detail. Despite this shift in France's exchange rate policy, the general functioning of the CFA system continues to be based on four inter-related principles: the fixed exchange rate, the free movement of capital, the free convertibility of the currency and the centralisation of the foreign exchange reserves.

By virtue of the first of these principles, that of the *fixed exchange rate*, the CFA and Comorian francs are firmly pegged to the French currency, called the 'anchor currency': that is to say that their value in French francs does not change depending on the economic situation. It can only be modified by the political authorities of the franc zone. Thus, between 1958 and 1994, 1 CFA franc always bought 0.02 French francs (1 French franc was worth 50 CFA francs). All official financial transactions relating to the French currency and the CFA franc were made on the basis of this exchange rate. Since the birth of the euro, in 1999, which has become the new anchor currency in place of the French franc, 1 euro is worth 655.957 CFA francs and 491.96 Comorian francs. When the external value of the anchor currency is changed, the value of the CFA and Comorian francs changes proportionately. This is what happened, for example, with the devaluation of the franc in 1948: since the franc lost 44 per cent of its value compared to the dollar, it was necessary for the value of the CFA franc to be decreased by 44 per cent as well in order to maintain the parity.

The second principle is that of the *free movement of capital*. This means that current transactions (payment of imports and exports, repatriation of profits and dividends, remittances from expatriate workers, etc.) and capital movements (the purchase of securities or financial investments) are not subject to any currency restrictions within the franc zone, that is, between the African member states and between these and France.

The *free convertibility of the currency*, the third operational principle of the franc zone, means that CFA and Comorian francs can be exchanged for the French currency (first the franc, now the euro) without restrictions. This unlimited convertibility is guaranteed by the French Treasury: through the monetary agreements it has entered into with the African authorities, it has undertaken to lend all the money necessary to the central banks of the franc zone in the eventuality that they should exhaust their reserves. The goal is to ensure that central banks never lack foreign currency and can always settle their foreign transactions or foreign exchange transactions on

a daily basis, but also to ensure that the movement of capital is never subject to restrictions within the franc zone.

This convertibility has the particularity of occurring solely under the supervision of the French Treasury. Outside of this framework, the CFA franc is not convertible: unlike euro or dollar banknotes, which can be exchanged almost anywhere in the world, CFA banknotes can only be exchanged within their area of issue. Therefore, a citizen of the franc zone who goes to France will not find a currency exchange office willing to convert his CFA francs into euros or any other currency. Similarly, an Australian tourist who returns home with some CFA francs in his pocket can do nothing but keep them as collectibles or set them aside until his next trip to a country that belongs to its area of issuance. The fact that the currencies of the three African sub-units of the franc zone are not convertible on the foreign exchange markets is not in itself 'abnormal': only rich countries with developed financial markets enjoy currencies that have the status of international currencies. It should be noted that since 1993 the two CFA francs and the Comorian franc have not even been freely convertible among each other. A Senegalese who goes to Yaoundé, the capital of Cameroon, cannot, once there, use the CFA banknotes issued by the BCEAO. The simplest thing to do for the Senegalese in question is to change his CFA banknotes into euros before leaving and then do the same in Yaoundé, converting his banknotes issued by the BEAC into euros. The non-convertibility of the CFA banknotes creates an additional demand for euros, which therefore acts as a privileged intermediary in trade between the African countries.

Finally, the fourth principle establishes the *centralisation of the foreign exchange reserves*: the BEAC, the BCEAO and the BCC must deposit a part of their foreign exchange reserves in France, at the French Treasury. Initially, this obligation concerned all their foreign exchange reserves with the exception of the liquidity required for daily operations, gold reserves and commitments made to the IMF. This percentage was reduced to 65 per cent in the early 1970s and to 50 per cent in 2005 for the BCEAO and in 2007 for the BEAC. Technically, the central banks have the opportunity to place the other half of their foreign exchange reserves elsewhere, even on accounts outside the euro area.

This centralisation of reserves constitutes the counterpart to the unlimited convertibility guaranteed by the French Treasury. The centralisation and the French guarantee thus establish a double solidarity: a vertical one, which links France to the African countries through the guarantee of con-

vertibility; and a horizontal one, which links the African countries to each other: the ones that are endowed with the greatest amount of resources and therefore that earn the bulk of the reserves allow the ones that have fewer resources to take advantage of the stability offered by the pooling of the foreign exchange reserves. A small clarification: although France is a member of the franc zone, it does not deposit its external reserves in the same 'common pot'.

THE KEYSTONE OF THE SYSTEM: THE 'OPERATIONS ACCOUNT'

The implementation of the four operational principles involves the use of a key tool, a very special bank account, specific to the franc zone: the operations account. It was created by the French administration during the colonial period and it falls into the category of the French Treasury's 'special accounts'. It was designed to allow economic operators to make payments from the colonies to the metropole and vice versa in a stable monetary environment (fixed exchange rate) and without restrictions (free movement of capital).³ The first operations account was established by the French Treasury with the Bank of Morocco in 1921, in continuity with an experiment begun in 1878 with the Bank of Algeria. Then, in 1952, a law concerning the special accounts gave the Minister of Finance the prerogative to sign agreements relating to the operations account.

At the time of their creation, in 1955, the BCEAO and the BEAC signed an agreement with the French Ministry of Finance on the opening of an operations account. The Institute of Emission of the Comoros, which in 1974 replaced the Bank of Madagascar and the Comoros before becoming the BCC in 1981, did the same.

Today the BCEAO, the BEAC and the BCC each have an operations account at the French Treasury's accounting registry. It is there that they must deposit the mandatory part of their foreign exchange reserves as a counterpart to the guarantee of convertibility. These operations accounts are current accounts denominated in euros. They are regularly credited and debited based on the inflows and outflows of the African countries belonging to the franc zone. Exports, international loans, emigrants' remittances, foreign investments and development aid, among other things, constitute inflows of foreign currency. In the WAEMU zone, for example, exporters must repatriate and transfer at least 80 per cent of their foreign currency to the BCEAO in exchange for CFA francs within one month of receiving their

export earnings.⁴ Commercial banks have similar obligations. Imports, repayments of international loans, repatriation of profits and dividends, on the other hand, correspond to an outflow of foreign currency. The reserves deposited in the operations accounts do not therefore represent savings that are 'parked' in France. The underlying mechanism of the system is relatively simple: if the Ivorian economy exports cocoa to France for a value of €400 million, this sum is credited to the operations account of the BCEAO; on the other hand, if the country imports €400 million worth of equipment from the euro area, the operations account is debited for the same amount.⁵

The monitoring of the level of these special accounts, and therefore of the mandatory deposit rate, is carried out according to very strict rules. According to the convention on the operations account of the BEAC, for example, the French Treasury must send a daily report to the BEAC concerning all the movements on the operations account. The BEAC, for its part, must communicate every day to the Treasury the balance in euros of its foreign assets and carry out, if necessary, transfers to its operations account to comply with the mandatory 50 per cent quota. The BCEAO and the BCC follow similar procedures. When the operations accounts are in credit, we can therefore say that the central banks are financing the French Treasury because they are putting their foreign exchange reserves at its disposal. In that case the French Treasury pays them interest. By contrast, when the operations accounts are in debit position, the central banks must pay interest to the French Treasury. If the assets in the operations account exceed the mandatory quota, the surplus is placed into a so-called 'leveling' account (*'compte de nivellement'*), where they yield a certain interest. In the event of a shortage of foreign currency, the French Treasury must use its guarantee by granting an advance to the central banks. Suppose, for example, that the level of reserves of the BEAC is zero or close to zero, but that it has 500 million euros of impending payments to be settled, corresponding to the imports of the zone and to the payment of the debt service. In that case, the French Treasury will anticipate this sum, crediting it to its operations account. On it the BEAC will have to pay interest; the BEAC will then have to do everything it can to replenish its foreign exchange reserves as soon as possible.

The assets in the operations accounts benefit, as far as the mandatory quota is concerned, from a 'guarantee of depreciation' with respect to the IMF's special drawing rights (SDR), a unit of account whose value is set according to a basket of currencies (dollar, euro, pound, yuan and

yen). This prevents the central banks from losing money due to exchange rate changes. Imagine that the BCEAO, in January, has €10 billion on its account. If a euro is worth as much as a dollar, this means that potentially it has a purchasing power of \$10 billion. Now, let's suppose that the euro depreciates in the following months, reaching an exchange rate of 2 euros = 1 dollar; in that case, the value of the BCEAO's assets would fall: its €10 billion would be worth only \$5 billion. The exchange rate guarantee helps prevent this type of situation. It was African countries that demanded this guarantee after the devaluation of the French franc of 1969, which led to a loss in value of their foreign assets, which back then were held mainly in francs (at the time, as mentioned, they had to place the entirety of their foreign exchange reserves in the operations accounts). The mechanisms for its implementation were established in 1981.⁶

The operations accounts allow the three central banks to have an indirect access to the foreign exchange markets, even if their currencies are not listed, since the French Treasury acts as a 'currency exchange office': all their foreign currency transactions pass through the Paris foreign exchange market.⁷ The notion of 'centralisation of the foreign exchange reserves' finds its full meaning here: any purchase and sale of currencies other than the euro against CFA francs must pass through the Paris market; in other words, to convert CFA francs into foreign currencies and vice versa, one must always pass through the euro. Here's how it works in concrete terms: economic agents (households, businesses, governments) in the WAEMU and CEMAC zones have bank accounts denominated in CFA francs. When they have to settle payments outside their area, for example in China, their bank must buy foreign currency, in this case yuans, in exchange for CFA francs. The bank starts by transferring the CFA francs to its central bank, which withdraws the corresponding amount from its operations account. The sum, now denominated in euros, is then converted into yuan on the Paris foreign exchange market. From there, the final payment is made. Conversely, when the same economic agents must receive payments denominated in a currency other than the euro, this operation involves the purchase of CFA francs against foreign currencies that must be converted into euros on the Paris foreign exchange market. The sums thus obtained are then credited to the operations account of their central bank. The latter creates the equivalent in CFA francs and makes them available to the African bank. The whole mechanism can be summarised by saying that

any purchase or sale of foreign currency against CFA francs passes through the operations account.

It is important to understand that when we talk about 'centralisation of the foreign exchange reserves', we are talking about the centralisation of all foreign currency transactions on the Paris foreign exchange market.⁸ Consider the example of a Malian company that sells cotton for a million dollars to a customer based in China. The million dollars owed to him by his buyer will have to go through the Parisian foreign exchange market to be traded in euros. The sum in euros will then be credited to the BCEAO's operations account, which, in turn, will pay the equivalent in CFA francs to the company's bank. For an African country not belonging to the franc zone, the same transaction – receiving the payment of an invoice in dollars – doesn't need to pass through Paris, since the conversion of dollars into euros is not a mandatory step. The central bank of the country of the company in question will simply receive the million dollars in one of its dollar-denominated accounts in the United States, for example; at that point, the central bank will make the equivalent of one million dollars in local currency available to the bank of the exporting company. This example clearly shows that the assets in the operations accounts have their 'counterpart', their equivalent, in the money supply of the countries of the franc zone. For every euro that is deposited in the operations accounts, its equivalent in CFA francs is created and made available to the recipient.

INSTITUTIONAL HIERARCHY

In all these operations linked to the functioning of the franc zone, five actors play a fundamental role: the French government, the Bank of France, the three central banks of the franc zone, the commercial banks and the African governments.

The French government intervenes through the French Treasury, which depends on the Ministry of Finance. It provides its guarantee of convertibility and manages the 'operations accounts' of the African central banks, which are, *de facto*, placed under its supervision. The Bank of France is the French Treasury's bank and it manages its accounts, including the operations accounts. It also acts as a correspondent central bank for the BCEAO, the BEAC and the BCC. This means that they have accounts at the Bank of France – different from the operations accounts – that function as normal bank accounts. If the BEAC, for example, wants to transfer a sum in euros to

an operator in France, it orders its local correspondent, the Bank of France, to carry out this transaction. It is through this system of correspondents that the central banks manage their external financial relations.

The BEAC, the BCEAO and the BCC are responsible for issuing the currency and ensuring the monetary and financial stability of their respective zones. They supervise the banking system. The BCEAO and the BEAC have national agencies in each of their member countries: branches that facilitate the circulation of banknotes and coins, the execution of payments and the monitoring and evaluation of economic activity. Depending on the country, they may have auxiliary agencies in specific locations. The BCC manages the official foreign exchange reserves of the Comoros, while the BEAC and the BCEAO manage the official foreign exchange reserves of the countries of their monetary union through a 'common pot' (comprising the contributions of each state). According to the terms of the monetary agreements, they must, as noted above, deposit 50 per cent of their reserves at the French Treasury. With the remaining 50 per cent they are free to do what they want, but it should be noted that they often use it to buy bonds denominated in euros (especially in the case of the BEAC) or to reinvest them in French government bonds or other French securities.⁹ In short, all roads lead to Paris.

These three institutions have a fundamental objective: to maintain the fixed parity of the CFA and Comorian francs with respect to the euro. To this end, they must always have sufficient foreign exchange reserves to satisfy all requests for conversion of the CFA and Comorian francs into the various foreign currencies. If they do not have sufficient foreign exchange reserves, France would be obliged to activate its guarantee, in order to avoid a devaluation of the CFA and Comoros francs.

It should be noted that the BEAC, the BCEAO and the BCC resemble more 'Franco-African' institutions than multinational institutions: French representatives sit on the boards of the central banks as well as in their monetary policy committees, the bodies responsible for defining their monetary policy. This configuration has no equivalent in the world: no non-European citizen sits, for example, on the board of the European Central Bank, just as no non-US citizen is represented in the Federal Reserve.

As for the centralisation of the foreign exchange reserves, this French representation is a counterpart to the Treasury's guarantee of convertibility. It allows the French government to oversee the use of foreign assets of the

three central banks as well as their monetary policy. No important decision can be taken without its consent.

Other important players within the system are the commercial banks. Central banks provide them with banknotes and coins made in France. As in any other modern banking system, it is the commercial banks, called 'second-level' banks, which create money through the loans they offer to their clients (households, businesses and governments). They create money – by increasing the liquidity that circulates in the economy – when they grant a loan and 'destroy' it – reducing overall liquidity – when a loan is repaid. This activity of creating (and destroying) money is supervised by the central banks, which can tighten or loosen loan conditions by raising or lowering interest rates on the liquidity they lend to the commercial banks. Central banks can also impose ceilings on the loans granted by the commercial banks. They may also decide not to lend money directly to the governments of their zone and to limit the credit granted to them by the commercial banks.

Exchange rates and exchange rate regimes

Foreign exchange reserves (also known as foreign reserves or foreign assets) are the international means of payment available to central banks for the purpose of regulating the payments of their issuing area vis-à-vis the outside world and defending the external value of their currency. Foreign exchange reserves are represented by all foreign currency assets and also include gold reserves. For example, when WAEMU member countries have to import goods, pay off their foreign debt, transfer funds from their zone to the rest of the world, etc., the BCEAO draws on its foreign exchange reserves to carry out these operations. Conversely, when these countries receive export earnings, funds for official development aid, international loans, remittances from migrants, foreign investments, etc., the BCEAO's foreign exchange reserves increase.

Foreign exchange reserves are one of the 'counterparts' of the money supply, meaning that this inflow of foreign currency implies the creation of an equivalent amount in local currency by the central bank. For example, when a Gabonese living in France sends 200 euros a month to his family in Libreville, these 200 euros are credited to the account of the BEAC, which, in turn, creates the equivalent of this amount in CFA francs to make them available to the financial institution through which the transfer passes.



The *foreign exchange market* is the institutional framework in which currency transactions take place. Just like the labour market or the real estate market, the concept of the foreign exchange market does not refer to a specific place. Rather, it describes the relationships of supply and demand of foreign currency expressed by the various economic agents, including central banks, commercial banks, businesses and so on.

The *exchange rate* is the rate at which currencies are exchanged. The exchange rate can be fixed or flexible (also called floating). In the first case, the conversion rate is always the same and does not necessarily reflect trends in the foreign exchange markets. This is what happens with the euro/CFA franc exchange rate. In the second case, the conversion rate constantly fluctuates depending on the economic dynamism of the concerned countries and the choices made by their respective monetary authorities. Its value is determined by the supply and demand of the various currencies on the foreign exchange markets. This is the case for the euro/dollar exchange rate, for example.

When a country decides to fix the exchange rate of its currency vis-à-vis another currency, we are in the presence of a fixed exchange rate regime. This is the case of the countries of the franc zone vis-à-vis the eurozone. In this type of exchange rate regime, we speak of *devaluation* when the country that pegs its currency decides to shift downward the exchange rate parity with respect to the anchor currency. For example, if we were to go from a fixed parity of 1 euro = 655.957 CFA francs to a fixed rate of 1 euro = 1,000 CFA, we would be in the presence of a devaluation. Now more CFA francs are needed to get 1 euro: the purchasing power of the CFA franc in euros decreases, while the purchasing power of the euro in CFA francs increases. Conversely, if we were to move from a fixed parity of 1 euro = 655.957 CFA francs to a fixed parity 1 euro = 300 CFA francs, we would be in the presence of a *revaluation*. Now fewer francs are required to get 1 euro: the purchasing power of the euro in CFA francs decreases while the purchasing power of the CFA franc in euros increases.

When a country chooses not to fix the exchange rate of its currency to any other currency, meaning that the external value of its currency evolves according to the economic situation, we are in the presence of a flexible or floating exchange rate regime. On the foreign exchange markets, when the euro is less in demand than the dollar – meaning that economic agents buy more dollars than euros or convert their euros into dollars – it is said that the euro *depreciates* and the dollar *appreciates*. Suppose that the euro/dollar parity goes from 1 euro = 1 dollar to 2 euros = 1 dollar: now it takes fewer



dollars than before to get 1 euro. The purchasing power of the dollar in euro increases, while the purchasing power of the euro in dollars decreases.

A fixed exchange rate has a big advantage: it reduces the uncertainty about the evolution of the exchange rate. Suppose a country in the franc zone has a foreign debt of €1 billion. At an exchange rate of 1 euro = 655.957 CFA francs, its value in CFA francs is 656 billion. At an exchange rate of 1 euro = 1,000 CFA francs, the billion euros would be worth 1,000 billion CFA francs. In the case of highly integrated economies in trade and financial terms, a fixed exchange rate regime may be justified. For example, if a country trades mainly with countries of the euro area and has a debt stock denominated in euros, it may be advantageous for this country to peg its currency to the euro to protect itself from potentially destabilising fluctuations in the value of its currency vis-à-vis the euro. At the same time, pegging one's currency to an extremely rigid currency like the euro allows central banks in countries with a history of macroeconomic instability – high rates of inflation, recurrent devaluations or depreciations, etc. – to 'import credibility' and to better fight inflation. This, in theory, should encourage foreign investment in the country.

The disadvantages of a fixed exchange rate regime are the advantages of a flexible exchange rate regime. A country that pegs its own currency to another currency cannot pursue an autonomous monetary policy. The latter must be aimed at maintaining the fixed parity, to the detriment of other economic priorities, such as increase in production and employment. The evolution of the parity of this currency vis-à-vis other currencies, in particular those of competing countries, will be dictated by that of the anchor currency. With a fixed exchange rate, the exchange rate cannot be used to cushion the impact of economic shocks or to improve the price competitiveness of local products. Therefore, in the case of a monetary union, the member countries whose competitiveness deteriorates cannot use the exchange rate to compensate for the decline in competitiveness. In this case, without budgetary support, they will have to compress domestic prices and domestic expenditure in order to compensate for the lack of exchange rate flexibility. This is called internal devaluation, more commonly known as 'austerity'.

In any case, whatever the exchange rate regime, the value of the national currency in foreign currency must reflect economic fundamentals. In the mid-1980s, 1 Nigerian naira was worth 1 dollar. This exchange rate was not credible and was not justified by the development gap between the United States and Nigeria. A country whose currency is overvalued – which has,



that is, a value that is too high in view of its economic fundamentals – will have a hard time selling its products abroad and will be encouraged to rely heavily on imports. Indeed, an overvalued currency acts as an export tax and as a subsidy to imports. Since it has a negative impact on the trade balance (the difference between exports and imports of goods and services), it determines an outflow of foreign currency and, depending on the case, a depreciation or devaluation of the currency.

Finally, the last wheels of the CFA wagon are the African governments. They act, in the case of the WAEMU and CEMAC, through the Conference of the Heads of State and Government and the Council of Ministers. But the role in these two bodies is rather subsidiary.

VIRTUOUS CIRCLE...

During the colonial period, this institutional architecture facilitated the drainage of resources from African countries to the metropole. Thanks to the free convertibility of the CFA franc at a fixed exchange rate and the free movement of capital, metropolitan companies invested and disinvested freely, and freely transferred their profits to the metropole. The savings generated in the African countries could therefore be freely invested in metropolitan France rather than invested locally. The fact that the AOF and the AEF had a single currency pegged to the metropolitan franc allowed the colonial administrations and metropolitan companies to significantly reduce their transaction costs. If the various territories under the French administration had each had their own floating currency, regulating commercial transactions would have been more complicated and expensive.¹⁰ The CFA system also helped organise economic exchanges according to the imperatives of the 'colonial pact'. The fact that the CFA franc's parity was set at an artificially high level, as we saw in Chapter 1, penalised African products: they were hard to sell on world markets, except in the context of the commercial preferences granted by the metropole. Conversely, the high external value of the CFA franc favoured imports, especially from the metropole. The functioning of the banking system of the franc zone also served to orient the allocation of resources in such a way as to further benefit the metropole and its operators: bank credit was mainly reserved for those sectors whose products were exported to the metropole and gener-

ated foreign currency, to the detriment of productions destined for national markets. The bank financing of local companies potentially in competition with metropolitan companies and products was limited (see Box on page 36). Because of this handicap, associated with other non-monetary barriers such as the lack of infrastructure and trade protection, African companies often found themselves in the position of not being able to compete with foreign economic operators on their national markets.

While the path towards the independence of the CFA countries was underway, the French newspaper *La Croix* dedicated almost an entire page, in its 17 February 1960 edition, to an assessment of the franc zone. 'It has allowed France to obtain supplies of various raw materials (lead, zinc, manganese, nickel, wood, phosphates, oilseeds...) without the need to disburse any foreign currency', the article explained. 'It is estimated that this has resulted in a saving of 250 million dollars a year. In 1954, the metropole purchased goods totalling 365 billion francs from the overseas territories (excluding Indochina), while it exported goods (mainly finished products) to those same territories for a total of 465 billion francs. It is estimated that the livelihood of 500,000 French people from the metropole depends on the economy of the franc zone. At the same time, the metropole is an important customer for the overseas territories.'¹¹ Having said this, the author of the article, Jean Boissonnat, noting how 'the political evolution of Africa requires a complete overhaul of our monetary zone', exposed his vision of the future to French readers: 'We must certainly renounce to monetary centralisation. Each country must have its own currency and its own budget.' As we have seen, Jean Boissonnat's advice was not heeded: except for some changes at the level of administrative management, the functioning of the CFA franc barely changed even following the independence of the zone's countries.

The CFA system has changed so little that the 'monetary unity' that prevailed during the colonial period has simply been replaced by a different one: the four fundamental principles of the franc zone continue to make the CFA and Comorian francs satellites of the French currency. 'France is the only country in the world to have succeeded in the extraordinary feat of circulating its currency, and only its currency, in politically free countries', the Cameroonian economist Joseph Tchundjang Pouemi observed in 1980.¹²

According to the official narrative adopted by the French authorities following the 1960s, the CFA franc exists mainly to provide 'stability' to the economies that use it. This 'stability' is assured, from their point of view,

by the fixed exchange rate between the CFA franc and the French currency (we are talking about the stability of the 'external value' of the currency) and the low inflation – meaning a modest increase in prices from year to year – observed in the franc zone. This 'stability' is the result of the monetary policy pursued by the central banks. These are obliged to defend the fixed parity in a context of free capital movement, just as they are obliged to ensure that their operations accounts are in debit position as little as possible. This obligation derives from the fact that in the countries of the franc zone, which have poorly diversified productive structures, bank credit is generally used to pay for imports. Therefore, if a company obtains a loan, it is likely to use it to purchase equipment produced elsewhere. However, these purchases involve the use of foreign currency and consequently a decline in foreign exchange reserves. In order to avoid a lasting drop in the level of their foreign assets, which would jeopardise the fixed parity, central banks must therefore limit the growth of domestic credit (the volume of bank loans made available to governments, businesses and households). By restricting the credit conditions of commercial banks, they also aim to prevent an excessive increase in prices that could derive from an excess of liquidity in the economy. Central banks must ensure that the inflation rate remains relatively low: by virtue of the pegging of local currencies to the euro, they are obliged to calibrate their monetary policy on the basis of that of the European Central Bank (ECB), which has a mandate to ensure price stability. Inflation rates in the WAEMU and CEMAC zones are generally within the limits tolerated in the eurozone: less than 3 per cent.

This monetary 'stability' should in theory foster investment, in particular foreign investment, thought to be the engine of long-term growth. Additionally, the guarantee of convertibility offered by the French Treasury and the right for foreign investors to freely invest and transfer their profits and dividends abroad, coupled with the fixed parity against the euro, is claimed to further strengthen the attractiveness of the zone. For decades, the champions of the CFA system have insisted on the virtuous circle of this device: monetary stability, economic attractiveness, investment inflows, increase in the growth rate.

... OR MUG'S GAME?

The reality, however, is rather different. The official speeches contain many omissions, simplifications, exaggerations and mystifications. The much

vaunted 'stability' does not take into account, for example, the fact that the CFA franc fluctuates against the dollar and the British pound, the currencies in which the prices of most of the exports of the zone's states, and sometimes even their foreign debts, are denominated. This fluctuation affects their export earnings and the value of their foreign debt. Furthermore, 'monetary stability' does not preclude instability in terms of economic growth and employment.

As a single currency, the CFA franc implies various constraints: to begin with, the countries that use it don't have the possibility of choosing a parity that is appropriate to their national economic situation. Furthermore, the limitation of domestic credit as a means of defending the fixed parity also has its negative side: the limitation of domestic financing for development. 'The CFA franc has only a stabilising role and plays no active role in the economy', noted the economist Makhtar Diouf in 2002.¹³ One of the consequences of this is that African countries must look abroad if they want to finance their development. The French guarantee also places the states in the zone under the tutelage of the French government. We will return to all these aspects.

First, however, we need to look more closely at the role of 'guarantor' supposedly played by France, which will also allow us to better understand the mindset of its leaders and their goals. The commitment of the French state to guarantee the unlimited convertibility of the CFA franc in euros and the underlying mechanism of the operations account gives it a central and indispensable role within the CFA system. According to French officials, France plays this role in a completely disinterested manner, out of pure friendship. 'France is there as a friend', said the French economic minister Michel Sapin in April 2017.¹⁴ But by examining what lies behind these amicable claims, it becomes clear that the French authorities are either lying or are doubly hypocritical. On the one hand, they know that the CFA franc continues to provide appreciable benefits to France in economic and political terms, as we will see in the following chapters. On the other hand, they are perfectly aware that their promise of guarantee is partly... unsustainable. The French government is in fact in no position to grant unlimited financial overdrafts to the countries of the franc zone, for at least two reasons. Firstly, the French Treasury does not have the power to issue money, since this power is an exclusive remit of central banks. Therefore, only the Bank of France could honour this commitment. But even this is no longer possible: as a member of the European System of Central Banks (ESCB), it is

independent of government and cannot finance the French Treasury's budgetary commitments. The second reason is that no country can have an 'unlimited' budget. Every year, the French government proposes to Parliament a budget law that sets out its revenue and expenditure forecasts for the coming year. The French budget is therefore fixed in advance and the amount it intends to allocate based on the 'unlimited' guarantee of convertibility is necessarily limited by this framework. An 'unlimited' guarantee is simply inconceivable. Indeed, France does not intend to activate any guarantee whatsoever – unlimited or otherwise. This is specified in its budget law for 2018: the amount indicated on the line dedicated to the guarantee of convertibility for the CFA and Comorian francs is... zero euro.¹⁵ This is no exception: previous budget laws are exactly the same.

If the French government excludes ever having to honour its guarantee of convertibility, it is because it counts on the solidarity established between the African states through the centralisation of their foreign exchange reserves: the reserves of the large exporting countries, such as the Ivory Coast and Cameroon, compensate for the shortage of reserves of countries like the Central African Republic and Togo, which have fewer resources. In addition, Paris has also introduced stringent rules that make it unlikely that a 'zero foreign exchange reserve' situation will arise, particularly with regard to the BEAC and the BCEAO. Through their presence on the boards of the central banks, the French representatives have the means to monitor their monetary management and, if necessary, can request corrective measures. There is also an alert system to prevent overdrafts from occurring frequently on the operations accounts. When its operations account is about to be in a debit position, the BCEAO must replenish it by transferring the foreign assets it holds elsewhere and, if necessary, the special drawing rights (SDR) that it would have otherwise deposited at the IMF. However, this rule – called '*ratissage*' – has been progressively replaced by another rule, based on the rate of coverage of money issuance, that is, the ratio between foreign exchange reserves (those in the operations accounts and those deposited elsewhere) and sight liabilities (banknotes in circulation and deposits at the central bank). At the BCEAO and the BEAC, the minimum rate of coverage of money issuance is 20 per cent. If the rate in question remains at this level or below it for three consecutive months, the BCEAO must take all the 'appropriate provisions', according to Article 76 of its statutes. These measures generally imply a greater severity of credit conditions.

At a certain point, some countries, aware of the illusory nature of the guarantee of convertibility and the political-monetary tutelage that it implies, asked, as we will see later, to pass to a less rigid system than the operations account. They hoped to be able to create a national currency and to remain linked to France through an 'advance account' (*'compte d'avance'*), another special account of the French Treasury. This type of account grants a limited guarantee of convertibility, based on a predefined ceiling,¹⁶ and doesn't require the deposit of foreign reserves at the French Treasury. The mechanism is as follows: the French Treasury opens an advance account with the central bank of country Y. It grants it a credit line of, say, a billion euros for the settlement of its payments to France. The central bank of country Y does the same, making the equivalent in its local currency of this billion euros available to the French Treasury, so that it can make payments in its country. If one of the two institutions makes payments for a value higher than a billion euros, it must find the currency needed to make up the difference. The system is therefore more flexible than the operations account. However, Paris has never agreed to make such an agreement with the few countries that have requested it, probably because the operations account grants France a degree of power and control over the foreign operations of the African countries of the franc zone and more in general over their economic activities that the advance account does not.

Money creation and development

There is an idea that is still widespread in economics textbooks and among orthodox economists: the notion that banks are financial intermediaries that collect household savings which they then offer to businesses. This implies that it is the savings of households that allow for the financing of businesses. This vision of the role of banks and the financing of investment, however, is at odds with reality.

When a bank lends 1 million euros to a company, it simultaneously creates a deposit of 1 million euros for its client. In other words, it creates an additional purchasing power of 1 million euros in the local economy. In order to be able to grant this loan, the bank does not need to have previously collected savings for an equivalent amount. It simply taps some numbers into a computer and credits 1 million euros – which are effectively created 'out of thin air' – to the account of its client. Only later does the bank worry about collecting the required reserves. In modern economies, therefore,



'fresh' money is created when commercial banks grant loans. This leads to the surprising consequence that credit – the creation of money *ex nihilo* – is what finances investment, not savings. In fact, it works the other way round: the investment is what creates the savings, as the economic growth induced by the increase in the investment rate tends to increase the national saving rate as well.

Thus, a monetary system that represses internal credit, such as the CFA system, reflects a lack of confidence in the ability of economic agents to make productive use of bank loans: etymologically, the word 'credit' comes from the Latin '*credere*', which means 'to trust' or 'to believe'. In this context, the paucity of bank loans is not the result of a lack of national savings. Quite the opposite: since loans create deposits, it is the paucity of loans that causes the scarcity of savings!

Orthodox economists and international development institutions conceive of only two ways through which poor countries can finance their development. Either households decide to consume less in order to achieve a surplus of savings that allows for the financing of investment; or these countries must find the money abroad: development aid, foreign debt, foreign investments, etc. The first option is impractical: poor families are unlikely to be able to save until their basic needs are met, while wealthier citizens usually prefer to invest their savings abroad. So only one possibility remains: to depend on foreign capital to finance development.

In reality, poor countries can finance their development without reducing their consumption and without relying on foreign capital. If you want to mobilise internal resources, the easiest way to do it is through money creation. Germany and China, two countries that have experienced rapid and spectacular economic progress, eloquently illustrate the power of money creation.¹⁷

Despite the destruction that its productive apparatus had suffered during World War II, between 1950 and 1960 Germany succeeded in doubling its income per capita. It certainly benefited from a favourable international environment as well as, of course, the Marshall Plan. But its reconstruction was mainly financed with internal resources. In the early 1950s, the household saving rate was less than 4 per cent of GDP (even lower than the standards observed in the poorest countries), while the investment rate was over 20 per cent and even reached 25 per cent in the late 1960s. The gap between savings and investments was filled mainly by the creation of money and the reinvestment of corporate profits. Between 1950 and 1960, the volume of credits increased six-fold, rising from 27 to 55 per cent of GDP. ►

Even China has managed to achieve significant economic progress without reducing household consumption and without relying excessively on foreign capital. Its per capita income more than doubled in the 1990s thanks above all to the growth in bank loans. Their share of GDP increased from 86 per cent in 1990 to 150 per cent in 2003. In the case of China and Germany, it is the economic growth induced by the availability of credit which has allowed an increase in the household saving rate. Investments have stimulated national savings, not vice versa!

Money creation is often blamed for generating inflation, especially in developing countries. In principle, the risk of inflation does not exist so long as credit is allocated to productive investments that aim to increase the local productive capacity and reduce the under-utilisation of the workforce. Empirical studies have shown that episodes of high credit growth have rarely led to high inflation; or rather, that inflationary episodes have rarely been preceded by an increase in the money supply.¹⁸ Another counter-argument is that in poor countries that import almost everything from abroad, money creation risks depleting their foreign exchange reserves and thus further reducing the value of their currencies. Even in this case, however, so long as the loans are destined for productive investment such fears are unwarranted. Many African countries import large quantities of food products, which take up a large amount of their foreign reserves. But they could take steps to produce locally the food that they need: land, work and know-how are generally available. What is missing, more often than not, is the financial means to develop their agricultural systems, as well as trade protection against foreign imports. If they financed the development of their agriculture, they wouldn't reduce their foreign exchange reserves; on the contrary, they would save money! Unfortunately, the CFA system prevents any policy aimed at the mobilisation of domestic resources: the limits imposed on money creation discourage economic activity and therefore the formation of substantial national savings; while the free movement of capital favours the outflow of national savings and the repatriation of corporate profits, which companies are not obliged to reinvest in the local economy.

Ultimately, we are in the presence of a mechanism that defies belief: France uses its presumed role of 'guarantor' as a pretext and as a tool to blackmail its former colonies in order to keep them in its orbit, both economically and politically, as we will see in Chapters 4 and 5. Worse, the African states not only guarantee the convertibility of the CFA franc with

their own reserves, but continue, in fact, to 'guarantee' France's leading position in the global economy, by accruing important benefits to its economy. All the foundations of the CFA system are based on a mug's game. Therefore, it is not surprising that African leaders, following their countries' independence, immediately mobilised against the CFA franc.

3

Resistance and Reprisal

The configuration of the franc zone evolved during the 1960s and 1970s in sub-Saharan Africa. Several countries, including Guinea, Mali, Togo, Mauritania and Madagascar, abandoned or attempted to abandon the CFA system. But each time it ended badly: France did everything to discourage them. Intimidations, destabilisation campaigns and even assassinations and coups d'état marked this period, testifying to the permanent and unequal power relations on which the relationship between France and its 'partners' in Africa was based – and is still based today.

THE VICIOUS OPERATION 'PERSIL' AGAINST SÉKOU TOURÉ'S GUINEA (1960)

Guinea was the first country to challenge France on the CFA issue. And the latter's reaction was extremely violent. It all began on 25 August 1958. On that day the French head of state, General de Gaulle, landed in Conakry, the capital of Guinea. It was the fifth day of his journey through the African continent. De Gaulle was there to defend the Community project that France was proposing to the African territories administered by France and that each country was required to call a referendum by 28 September of that year: citizens were called to choose between joining the Community ('yes') or independence ('no'). The French authorities had made it clear to their African counterparts that independence would mean the end of all cooperation with France. 'Anyone who wants independence can have it immediately. The metropole will not oppose it', Charles de Gaulle announced in Brazzaville (Congo) on 24 August 1958, specifying, however, that those who chose independence would be walking 'that path alone, at their own risk'. In Conakry, the general was greeted by Ahmed Sékou Touré, deputy of the French National Assembly, mayor of Conakry and vice-president of the government council of Guinea. This former trade union leader was not anti-French. But he didn't appreciate De Gaulle's attempt to influence the vote by threatening to cut off development aid. Calling out De Gaulle before

his fellow citizens, Sékou Touré expressed himself unequivocally: 'We will not give up and we will never give up our legitimate and natural right to independence', he said. And he added: 'We prefer to be poor in freedom than rich in slavery.' These remarks angered the French president, who 'took this as an insult', according to the former French high commissioner Pierre Messmer.¹ De Gaulle replied: 'The question of independence has been raised; so I repeat it here even more clearly than elsewhere: independence is within Guinea's reach; it can have it by voting "no" to the proposal that was presented and, in that case, I guarantee you that the metropole will not hinder it. Obviously this will have consequences, but no obstacles will be placed in its way, and your territory will be able, as it wills and in the condition that it wills, to follow the path that it chooses.'² The rest of his visit took place in a very cold atmosphere. Before leaving, the next morning, de Gaulle said 'Farewell, Guinea' (*Adieu la Guinée*) to his host.³ The two men would never see each other again.

Sékou Touré did not intend to completely break with France. A few days before the referendum, he tried to reassure the foreign companies present in Guinea, whose agricultural sector was one of the most developed in West Africa, and which had enormous mining resources and an exceptional hydroelectric potential: 'Our deepest desire is to remain in the franc zone', he said, promising that capital movements between France and Guinea would remain free.⁴ Nevertheless, he made it clear that Guinea may consider joining another currency zone if remaining in the franc zone proved impossible.

On 28 September 1958, the day of the referendum, the CFA franc was at the top of the list of concerns of the French authorities. Convinced that Guinea would choose independence and fearing that it would later appropriate the monetary reserves of the BCEAO's agency in Conakry, France ordered its army to discreetly evacuate the reserves from the country. The order was executed the same day by sea. The result of the referendum in Guinea was unequivocal: as Paris had anticipated, 95 per cent of voters rejected the idea of joining the Community. Among the territories that were consulted, it was the only country to choose this option. The country proclaimed its independence almost immediately, on 2 October 1958. The new state was quickly recognised by Kwame Nkrumah's Ghana, which had obtained independence the year before, the Soviet Union and Egypt. France did not recognise it until January 1959. Meanwhile, it repatriated all its personnel, ended its budgetary assistance and ceased the pension pay-

ments to the 20,000 Guinean veterans who had fought for France. It also unsuccessfully attempted to block Guinea's entry into the United Nations. Paris wanted to prevent other countries from being tempted to follow the example of Guinea. 'If France gives preference to those who secede from the Community over those who choose to remain, the example of Guinea will spread like wildfire', the future Ivorian president Félix Houphouët-Boigny, then a minister of the French government, said in an interview on 15 October 1958.⁵

Although Sékou Touré turned to the country's new partners, including the Soviet Union, Guinea remained part of the franc zone. For several months, the Guinean and French authorities tried to reach an agreement on the monetary question. The former, and especially Sékou Touré, wanted to create a national currency while remaining in the franc zone, but without having to accept its 'humiliating' rules.⁶ The Guineans were particularly concerned by the 'excessively centralising' nature of the franc zone, as well as by the prohibition, imposed by Paris on the country, to independently negotiate its trade agreements.⁷ Conakry was exploring different scenarios, including entering the sterling area and joining forces with Ghana. The French authorities, on the other hand, were divided: Charles de Gaulle did not want anything to do with Guinea and even less so with Touré. His adviser, Jacques Foccart, a secret service man and one of the leading architects of *Françafrique*, proposed to depose the Guinean leader as soon as possible. Others, such as the Minister of Overseas France, did not wish to break with Conakry. From the point of view of the Ministry of Finance, it was crucial to keep Guinea within the franc zone for the sake of France's economic interests, including the Pechiney industrial group, which had just opened a large alumina refinery. Finally, faced with Paris's refusal to relax the rules of the CFA system, on 1 March 1960, with the help of foreign experts, Guinea created the Bank of the Republic of Guinea and launched its own currency, the Guinean franc, and abandoned the franc zone. Incidentally, the Guinean authorities, which had prepared the entire operation in secret, did exactly what the French feared would happen in the aftermath of the referendum: they seized the reserves of the BCEAO's agency in Conakry, claiming that they belonged to the country. This measure marked the beginning of a long dispute between Guinea on the one hand and France and the BCEAO's member states on the other.

For Paris, it was too much. In the following months, France did everything to isolate and destabilise Guinea and to make Sékou Touré 'vulnerable'

and 'unpopular'. The operation was orchestrated by Jacques Foccart, Pierre Messmer and the External Documentation and Counterespionage Service (*Service de Documentation Extérieure et de Contre-Espionnage*, SDECE), with the complicity of the presidents of Senegal and the Ivory Coast, Léopold Sédar Senghor and Félix Houphouët-Boigny. As Maurice Robert, director of the African section of the SDECE, would admit a few decades later, France launched a series of armed operations using local mercenaries, 'with the aim of creating a climate of insecurity and, if possible, overthrowing Sékou Touré'.⁸ The SDECE also launched a series of economic attacks against the country. One of these, which was part of a destabilisation programme known as 'Persil', was particularly perverse: it consisted of using the printing presses of the SDECE to create false Guinean banknotes, which were then poured en masse into the country. The result was the collapse of the Guinean economy. 'The operation was a total success: Guinea's economy, already very weak, never fully recovered!', said Maurice Robert.⁹ According to Robert, operation 'Persil' was the brainchild of the head of the SDECE, general Paul Grossin: 'It was he who provided me with necessary instructions and directives for the implementation of the plan', he said. He also stated that it was not a question of 'punishing Sékou Touré for his affront to France', but of 'preventing' the countries of the Eastern bloc, that were 'interested in the mineral resources of Guinea', from gaining 'a bridgehead that they could use for the spread of subversion'. This is how Georges Pompidou, in 1962, responded to ministers' concerns that other countries of the franc zone might introduce their national currency: 'Let the experience of Sékou Touré take its course. Many Africans are beginning to realise that Guinea's policy is suicidal and contrary to the interests of Africa'.¹⁰ In November 1965, Guinea and France broke off diplomatic relations. These were only restored on 14 July 1975, after the death of de Gaulle and of his successor, Georges Pompidou, and the removal of Jacques Foccart. Although operation 'Persil', in combination with other factors, caused a strong depreciation of the Guinean franc and a significant increase in the price of raw materials, Guinea nevertheless maintained its currency (which took the name of syli between 1972 and 1986). To this day, it remains outside of the franc zone and its economy is very fragile.

MODIBO KEITA'S MALI 'COMMITTS HARA-KIRI' (1962)

While Guinea, for better or for worse, was trying to manage its currency, the franc zone was experiencing some turmoil as well. Some West African

heads of state had begun expressing their frustration with the system's mechanism. The president of Niger, Hamani Diori, declared in March 1962 that the franc zone 'has managed to keep African countries in a state of unilateral economic dependence that is inherently incompatible with the notion of national sovereignty'.¹¹ Difficult negotiations, in a context of rivalry between African countries and rebellion against France, began in March 1961.

These led, in May 1962, to the signing of various agreements that gave rise to the West African Monetary Union (WAMU, also known by its French name UMOA: *Union monétaire ouest-africaine*), which includes the Ivory Coast, Dahomey (Benin), Upper Volta, Mali, Mauritania, Niger and Senegal. A cooperation agreement was also signed between France and the WAMU and new statutes were defined for the BCEAO. On this occasion, the acronym 'CFA' – the franc of the French Community of Africa – once again took on a new meaning: the CFA franc of West Africa became the 'African Financial Community' franc.¹² That of Central Africa remained unchanged until 1972, when it was renamed 'Central African Financial Cooperation' franc. Although at the time a treaty similar to that of the WAMU had not yet been signed for Central Africa, there nevertheless existed an informal monetary union, resulting from the sum of the economic and monetary cooperation agreements stipulated separately by France with Gabon and Cameroon, as well as with a group of countries formed by Chad, Congo and the Central African Republic, which in 1964 would become the Customs and Economic Union of Central Africa (*Union douanière et économique de l'Afrique centrale*, UDEAC). The 1962 agreements signed with West Africa enabled France to avoid 'rupturing' its monetary bond with its former colonies, which, according to historian Olivier Feiertag, would have accelerated its 'eviction' from that part of the world.¹³

Two years earlier, however, the experience of Guinea had inspired Mali, the former French Sudan, which proclaimed its own independence on 20 September 1960. This new socialist state, led by Modibo Keita, did not wish to be part of the Franco-African Community of de Gaulle: it wanted complete independence. On 22 September, Modibo Keita evoked the idea of a 'Republic of Mali free from all commitments and political ties to France'.¹⁴ In a short time, the Malian authorities established a Treasury, a Monetary Committee at the BCEAO's agency and an exchange office. Their project was to provide the country with a national currency. Before reaching that point, they modified their relations with the former colonial power by approach-

ing the pan-African presidents of Ghana and Guinea, Kwame Nkrumah and Sékou Touré. The government also signed cooperation agreements with the Soviet Union and asked France to evacuate the military bases it possessed on its territory. Moreover, it created various state-owned enterprises tasked, according to Modibo Keita, with 'taking control of foreign establishments and breathing new life into the economic fabric of the nation, squeezed by years of colonial rule'.¹⁵

Throughout the 1960s, relations between France and Mali remained tense. The French government and the BCEAO's officials feared a repetition of the Guinean scenario: they thought that Mali was preparing to launch its currency and take over the reserves of the BCEAO's Malian agency. Consequently, the French ministries of Cooperation and Finance asked the BCEAO to reduce their quantity to a minimum.¹⁶ Starting in 1961, France and the BCEAO devised an expedient to counter Mali's monetary project: on the initiative of Paris, an 'international conference' was organised under the pretext of discussing the future of the franc zone with the members of the BCEAO. According to the historian Guia Migani, the idea was to involve Mali in the multilateral negotiations, knowing that at that point the country would have 'greater difficulties in achieving a monetary reform harmful to other member states'.¹⁷ The plan worked. Mali agreed to attend the conference, which took place in Paris on 13 March. On this occasion, Modibo Keita explained that he did not intend, for now, to create a Malian currency: rather, in the immediate future, he hoped for a reform of the franc zone. In the following months, several cooperation agreements between France and Mali were negotiated. After dragging along the discussions on the franc zone, the French accepted, on 9 March 1962, to recognise Mali's right to create its own national currency. But this was considered a purely theoretical option: 'The two governments are eager to affirm their preference for the regulation of their monetary relations within the West African Monetary Union', stated a note from the French Ministry of Foreign Affairs.¹⁸ However, Mali continued to hope for a somewhat more autonomous monetary future: 'Mali is keen to specify [...] that if the multilateral negotiations fail, the French guarantee will be granted in the form of an advance account'.¹⁹

On 12 May 1962, after participating in new talks regarding the reform of the BCEAO, Mali signed the agreements establishing the WAMU.

Modibo Keita, however, had not given up his project of monetary independence. On the contrary: while participating in the creation of the

WAMU, the Malian authorities were secretly preparing to launch a national currency. On 30 June 1962, the Malian president announced to Parliament the birth, on the following day, of the Malian franc and the withdrawal of his country from the WAMU. On that occasion, he insisted on the need for complete sovereignty: 'History teaches us that political power is always and necessarily accompanied by the sovereign right to mint currency, that monetary power is inseparable from national sovereignty, which is its indispensable complement, its essential attribute. [...] Despite its independence, Mali is still in a position of strict economic dependence from the former colonial power. [...] It is sufficient to observe how the structure and activity of the central bank seem to be designed solely to encourage the trade and import of consumer goods through the credit that the bank continues to provide to traditional trading companies, to the detriment of credit destined to equipment and investments.'²⁰

Modibo Keita complained that the franc zone system had prevented the diversification of the country's economy and that all decision-making powers were held by Paris. 'How can we promote the harmonious economic development of the nation if we lack the necessary means, and in particular that powerful lever that is the currency?',²¹ he asked. He also harshly criticised the operations account system: 'The guarantee that a state can grant to a foreign currency is too often an illusory guarantee, more psychological than anything else. [...] France guarantees the CFA franc only because it knows that this guarantee will never really materialise. It is worth remembering, for example, that the African states that are members of the current West African emission zone have a credit of around 30 billion vis-à-vis France. Paradoxically, this means that in recent years the CFA franc has not needed the guarantee of the French franc.'

However, the rules relating to the operation of the new Malian currency had not yet been established. Modibo Keita did not want to suffer the same fate inflicted on Guinea. His idea was to open an 'advance account' with the French Treasury, as he believed that the agreements signed with France on 9 March 1962 gave him the right to do so. This option would have allowed Mali to benefit from a guarantee provided by the French Treasury – one that would have been limited in scope but would have prevented the country from being completely subject to Paris, as in the case of the operations account. The French government was divided on what to do. The officials at the Ministry of Finance, the guardians of the temple, did not want to 'renounce the mechanism of the operations account, which allowed French

officials to exercise a preventive control over all the decisions concerning the issuance of the currency and to play a role as advisors', according to a note sent to the French on 20 July 1962.²² The Ministry of Cooperation was more open to dialogue. But it was the Ministry of Finance, backed by the prime minister, who had the last word, and it rejected flat-out the idea of an advance account. Mali thus left the franc zone in 1962.

The Malian franc, however, enjoyed a relatively short existence: it faced a great deal of obstacles right from the start. This complicated things for the Malian and foreign business community, which feared a repetition of what had happened in Guinea. On 20 July 1962, Malian merchants gathered in front of the French embassy shouting: 'Long live France, long live de Gaulle'. Dozens of people were arrested, including two former French ministers of the Fourth Republic, Fily Dabo Sissoko and Hamadoun Dicko. They were tried in September 1962 for 'conspiracy' by a people's court. The prosecution claimed that they had organised clandestine meetings and tried to incite the population 'with the support of the French embassy' with the aim of overthrowing the government and replacing it with one favourable to Paris.²³ The two former ministers were sentenced to death, but the sentence was commuted to life imprisonment. They died in 1964 in the Kidal detention camp (according to some sources, they were executed).²⁴

Following the launch of the Malian franc, the member states of the WAMU immediately adopted a series of measures to restrict trade with Mali, a landlocked country, which contributed to the sharp depreciation of its currency. The country quickly found itself in difficulty. In 1964, Modibo Keita was forced to turn to Paris. In 1967, Mali returned to the franc zone, an operations account was opened at the French Treasury and the Malian franc was devalued by 50 per cent. 'President Modibo Keita's regime, due to an incorrect management of the currency, has committed hara-kiri', sentenced the economist Joseph Tchundjang Pouemi.²⁵ Pouemi thought that the Malian government had committed the error of 'printing money' to finance unproductive projects. Moreover, the Malian president had failed to reform the banking system, which had maintained the same institutional architecture of the colonial period. According to Pouemi, Mali exemplified the 'danger of wanting to act alone, without protection'.²⁶

In 1968, a military coup led by a former French legionary, Lieutenant Moussa Traoré, overthrew the government of Modibo Keita. The latter died in 1977 in the Djicoroni military camp, at the age of 62, in mysterious circumstances. The Malian franc, which in reality was a CFA franc devalued

by 50 per cent and therefore a satellite currency of the French franc, was finally abolished in 1984, when Mali entered the WAMU and readopted the CFA franc. End of the story.

THE MURDER OF SYLVANUS OLYMPIO, PRESIDENT OF TOGO (1963)

In the early 1960s, another West African country contemplated the idea of creating its own currency: Togo. But even in this case the experience ended badly. Without going into the details of the particular colonial history of Togo, it is nonetheless necessary to summarily sketch this period if we want to understand the events that followed. Let's start with a key date: 1946. That year the United Nations transformed Togo into a 'trust territory' and entrusted the French authorities with managing the country's path to independence. But France, which had occupied Togo since 1919, had no intention of seeing the country slip out of its sphere of influence and did everything to guide the independence process in such a way as to maintain its control over the country.

In 1956, Togo became an 'autonomous republic', but remained a member of the French Union and maintained its status as a 'trust territory'. The 'Republic of Togo' was officially proclaimed on 22 February 1958. However, its security, diplomacy and currency continued to be managed by the French government. The new country continued to use the CFA franc and to be a member of the franc zone. In December 1958, the United Nations General Assembly set the date for the proclamation of the country's full independence: 27 April 1960. Meanwhile, during the transition period, the country would be led by one of the leaders of the nationalist and pro-independence cause, Sylvanus Olympio: his party, the Committee of Togolese Unity, had won the legislative elections in April 1958 and Olympio had become head of government. Paris wasn't happy about the choice. A graduate of the London School of Economics, former director of the Togolese branch of the Anglo-Dutch group Unilever, Sylvanus Olympio, 56, was considered close to the Anglo-Saxons. He had always opposed the French Union and had often criticised French leaders. 'France does not want to grant us real autonomy because it fears that this will trigger an infectious movement in the other African territories', he said in October 1956.²⁷ Following his victory in the legislative elections, he promised his compatriots that he would do 'everything possible to ensure that Togo no longer needs the help of France'.

Paris, which considered him 'anti-French', tried several times to remove him from the political scene.

Before Togo became fully independent, Sylvanus Olympio wanted to redefine its monetary ties with France. Although he was in favour of keeping the country in the franc zone, he demanded a relaxation of its operating rules. Paris refused, for fear of having to make the same concessions to other countries of the zone. The French authorities suggested that Olympio 'wait for independence before defining a new monetary regime: at that point, the country would have the opportunity to choose between remaining a member of the franc zone under the same conditions as the others, or creating an autonomous Togolese currency, with all the responsibilities and risks that such an operation entailed', explains Guia Migani.²⁸ In March 1960, one month before independence, Sylvanus Olympio announced that Togo, after becoming a sovereign state, would not be a member of the Franco-African Community, but would sign a series of economic and defence agreements with France. The latter hoped to be able to preserve its privileged access to the country's resources and to remain its main supplier. But Sylvanus Olympio wanted to be free to trade with whomever he wanted. Paris insisted, but in vain: as *Le Monde* put it, the head of the Togolese government refused, 'on the eve of independence, to sign the conventions that a mission sent from Paris had come to submit to him at the last minute, in conditions that, no doubt, must have appeared to him vexatious or too pressing'.²⁹ When Togo achieved independence on 27 April 1960, no definitive agreement had been reached. However, the two countries had reached a provisional agreement on the monetary question: Togo would remain a member of the franc zone and would continue to use the CFA franc. However, France recognised Togo's right to create its own national currency and issuing institution. 'What matters is that the country remains in the franc zone', the French prime minister Michel Debré wrote to Sylvanus Olympio on 28 May 1960.³⁰

After proclaiming his country's independence, Sylvanus Olympio – who became president of Togo in 1961 – approached the Federal Republic of Germany and the United States and began to establish trade relations with African states that were not members of the franc zone. He also made a new proposal to France: advised by a German expert, he suggested that Togo remain a member of the franc zone and continue to use the CFA franc, but with more flexible rules, in order to define its own credit policy, in agreement with the BCEAO.³¹ Like Mali, Togo asked to be linked to the French Treasury through an advance account instead of an operations account.

Paris refused. After long discussions, an agreement was reached in September 1962. The historian Guia Migani summarises the agreement as follows: 'The creation of a national issuing institution, headed by a board of directors comprising an equal number of representatives: the president of the board of directors would be appointed by the Togolese government, while the general manager, who had significant administrative powers, would be appointed by the French government. The Togolese currency, temporarily called "Togolese franc", would be guaranteed in an unlimited manner by the French Treasury. [...] These provisions would come into force after the transfer of issuance rights from the BCEAO to the Togolese central bank, unofficially planned for the summer of 1963. Furthermore, they would be subject to the conclusion of various economic cooperation agreements still underway.'³² On 12 December 1962, the Togolese president promulgated a law establishing the creation of the 'Central Bank of Togo' and stated that 'the legal currency of Togo' was the Togolese franc. A transitional period would 'end on the date of the withdrawal of the notes and coins issued before the entry into force of the present law'.

But the Togolese franc would never see the light of day: on 13 January 1963, at 7.15 AM, Sylvanus Olympio was shot dead in front of the gate of the American embassy, in Lomé, by a group of former Togolese soldiers who had served in the French army.³³ Sergeant Étienne Gnassingbé aka 'Eyadéma', who was part of the murderous commando, would later claim responsibility for the murder, before denying it a few years later. He and his cohorts immediately sided with France, declaring: 'France is our friend.'³⁴ On 26 January 1963, Théophile Mally, former Togolese Minister of the Interior, accused the French ambassador, Henri Mazoyer, as well as two French officers who served in the Togolese armed forces, of orchestrating the coup.³⁵

On 16 January 1963 the place of Sylvanus Olympio was taken by a faithful ally of France: Nicolas Grunitzky, former prime minister of the Autonomous Republic of Togo and a Togolese member of the French National Assembly. In the aftermath of the coup, Grunitzky immediately expressed his desire to strengthen the ties between the two countries. On 10 July 1963, eight 'cooperation agreements' were signed, including a 'cooperation agreement on economic, monetary and financial matters' which established that Togo would remain in the franc zone and maintain the CFA franc. In November 1963, Nicolas Grunitzky ratified the 12 May 1962 treaty establishing

the WAMU and the monetary cooperation agreement between the French Republic and the member countries of that union.

In six months, Sylvanus Olympio's struggle for economic sovereignty had been wiped out. From the French point of view, everything returned to normal, in the sense of the 'normalisation of relations between Paris and Lomé'. In 1967, Lieutenant Colonel Étienne Gnassingbé Eyadéma overthrew President Grunitzky. He remained in power until his death in 2005 and was succeeded by one of his sons, Faure Gnassingbé. Fifty-five years later, the responsibility for the murder of Sylvanus Olympio remains unknown, since the French and American archives have never been opened.

FRANCE, CONTESTED, DOESN'T BUDGE (1972)

In the early 1970s, relations between France and its former colonies were characterised by a widespread intolerance towards the cooperation agreements concluded ten years earlier. It was precisely at the beginning of 1972 that several states – spearheaded by Niger, Mauritania and Congo – demanded that the agreements in question be partially or totally revised, or even abolished. In the eyes of the leaders of the African countries, but also of those of their public opinions, the agreements were obsolete and unequal and favoured the former metropole. France was also accused of not honouring its commitments: Paris had only disbursed a fraction of the development aid promised at the time of independence. Moreover, the countries of the franc zone had been forced to bear the 1969 devaluation of the French franc without even having been consulted, contrary to the provisions of the monetary cooperation agreements.³⁶ The international monetary context was also in deep turmoil: 18 December 1971 marked the end of the Bretton Woods system following the decision by the United States to suspend the convertibility of the dollar into gold, given the strong fluctuation of the dollar in the preceding months. In March 1973, the international monetary system switched to a floating exchange rate regime.

The argument that dominated the discussions between the French and African authorities was, of course, the CFA franc. The first one to raise the issue – without this being made public – was the president of Niger, Hamani Diori, during an official visit to Niamey of the French president Georges Pompidou in January 1972. Diori had been reflecting for several years on a reform of the franc zone. In 1969, he had asked for the opinion of the Franco-Egyptian economist Samir Amin. Here is how Amin recounts that

episode: 'Hamani Diori wanted to know if it was possible to reform the CFA zone so as to give African states a margin of autonomy that would allow them to control credit and direct it towards those activities that would have been more useful for their development.'³⁷ The economist submitted to Diori a proposal for a reform that envisaged the creation of national central banks and a monetary union that would bring together all the countries of West Africa, which implied the abolition of the operations accounts and the end of the French tutelage. 'Hamani Diori was personally convinced by my analysis', explains Samir Amin. 'But he still had to convince the Ivory Coast and Senegal, which rejected the proposal flat-out. As France did.'³⁸ Indeed, the French president Georges Pompidou was not particularly receptive to Diori's ideas when the latter presented them to him in June 1969. In the weeks following the meeting, relations between the two countries became even more tense, creating a climate of mutual distrust. When France delayed paying Niger what it owed the country for the exploitation of its uranium reserves, the Nigerien authorities suspected that it was a punishment for having requested a revision of the cooperation agreements.³⁹

But other African states soon followed suit. The president of Congo, Marien Ngouabi, explained in March 1972, during an official visit to Paris, that the member states of the BCEAEC also wanted a reform of the CFA system. The arguments put forward included heavy charges against the former metropole. 'It is a matter of giving priority to our national interests and putting an end to all the situations of exploitation and domination of which we are victims', said a spokesman for the Mauritanian government in early July.⁴⁰ At first, the French officials, pretending not to understand, remained impassive. Then, when the demands of their African counterparts became more specific and above all entered the public domain, they grudgingly began to respond. To avoid endorsing an overhaul of the system, they dithered for several months, hoping that sooner or later the Africans would get tired and give up. In the end, Paris decided to cut the Africans some slack in order to preserve the essence of the system. In June, Yvon Bourges, French Secretary of State for Foreign Affairs, though he refused to reveal to the press the names of the countries asking for reform, admitted that 'the cooperation of 1972 is no longer that of 1960'.⁴¹ Thus the talks began. In August, Hamani Diori announced, after meeting with French officials, a 'restructuring' of the cooperation agreements 'in all areas where it will be deemed necessary'.⁴² On 4 October, negotiations between Niger and France officially began. As the historian Jean Fremigacci explains, the French had

already established their priorities: on 26 September, prime minister Pierre Messmer had asked for the organisation of an inter-ministerial council to determine the government line. On 14 October, President Pompidou personally wrote 'to the nine African heads of state who had not yet put forward any demands (including the Senegalese Léopold Sédar Senghor and the Ivorian Felix Houphouët-Boigny) to tell them that France was willing to revise the cooperation agreements with their countries under certain conditions'.⁴³

From the French point of view, there were two main problems. The first was of a military nature. The government was ready to renounce cooperation in this area with some countries, but wanted to maintain its military bases stationed in Dakar (Senegal), Diego Suarez (Madagascar), Libreville (Gabon) and Fort-Lamy (Chad) to protect its geostrategic interests.⁴⁴ The second, equally important, was the currency. French officials considered this problem easily manageable, since they believed, in October 1972, that only Mauritania truly wanted to leave the franc zone. It would have been enough to punish the country by reducing French aid and technical assistance, while at the same time preventing it from falling under Libyan or Algerian influence. It is in this spirit that Georges Pompidou made another journey to the African continent at the end of November 1972, stopping first in Ouagadougou, in the Upper Volta (present-day Burkina Faso), and then in Lomé, in Togo. The CFA franc was the main theme of the trip, but this time the French president was more open to dialogue. In Ouagadougou, he even announced his intention to offer 'facilities' to those West African countries that intended to revise the structures of the franc zone. This was the situation in Central Africa: while Pompidou was in Ouagadougou, his finance minister, Valéry Giscard d'Estaing, was in Brazzaville, where he was discussing with the region's finance ministers about a change in the statute of the BCEAEC. In Ouagadougou, Georges Pompidou suggested that a reform of the BCEAO was possible. However, it went without saying that any 'significant change' had to be 'compatible with the guarantee given by France to the CFA franc of Central Africa and West Africa, which implies a common and concerted discipline'.⁴⁵ Without a doubt, Pompidou was convinced that he had regained control of the CFA franc issue. But in Lomé he received a shock. The Togolese head of state, Étienne Gnassingbé Eyadéma, promoted to the rank of general and still a very close ally of France, made an unexpected statement: he questioned the parity of the CFA franc vis-à-vis the French franc, a point which was not on the French agenda. 'We believe

that this [...] parity, which is currently equal to two old francs for a CFA franc, does not correspond to reality. It is a question of justice, and we hope that an exhaustive study, based on objective criteria, will make it possible to set a new parity as soon as possible, more favourable to our peoples', he said.⁴⁶ Pompidou, astonished, replied that the independence and sovereignty of Paris's partners 'have their limits in the guarantee offered by the French state', since, without such guarantee, the CFA franc 'would collapse tomorrow'. 'It is never pleasant for an old metropole to receive "monetary lessons" from the countries it still maintains under its tutelage', commented *Le Monde* in an article entitled 'Mr. Pompidou puts Africans on guard against a fundamental revision of the monetary agreements with France'. The newspaper added: 'If the African and Malagasy states really want total decolonisation, sooner or later they will have to follow the dangerous path of Mr. Sékou Touré and renounce the "privileged help" of France.'⁴⁷

**A weapon of negotiation: Bokassa challenges the CFA
in order to ingratiate himself with France**

During this eventful period, in the late 1960s and early 1970s, the leader of the Central African Republic, Jean-Bedel Bokassa, also spoke on the monetary question on several occasions. In February 1968, he explained the reasons behind his proposal to create a Union of Central African States (*Union des États d'Afrique centrale*, UEAC) together with Chad and Congo-Kinshasa: he said that this proposal arose from an awareness of the fact that the Customs and Economic Union of Central Africa (UDEAC), established in 1964, and the African and Malagasy Common Organisation (*Organisation commune africaine et malgache*, OCAM), created in July 1966, were in fact controlled by foreigners.⁴⁸ The true independence of a state materialises in a national currency, further noted Jean-Bedel Bokassa, who wanted the UEAC to equip itself with its own currency. But this Union, which came into being in April 1968, did not last long. The Central African Republic abandoned it in 1971 and its president announced that he wanted to 'mint his own currency, which would no longer be tied to the French franc and would no longer be managed by the BEAC'. 'Every sovereign state has the right to mint its own currency', Jean-Bedel Bokassa told his compatriots on 22 September 1971, on the occasion of the launching of a smear campaign against France. In truth, he had no such project: he was simply using the monetary question to negotiate with the French. Aware of the importance they attached to the CFA franc, Bokassa exploited the issue



in the hope of obtaining extra development aid from Paris. It worked: as the political scientist Didier Bigo explains, the French government caved in because 'it considered Bokassa's rapprochement with some countries too dangerous, and agreed to increase the cooperation funds on condition that Bokassa renounced his new contacts (Romania, the USSR, Libya)'. If the French government 'agreed to continue with the aid', notes the researcher, it was also because 'the maintenance of Chad in the French sphere of influence passed through the Central African Republic'.⁴⁹

France's position was clear: the country did not intend to go beyond a certain limit in the reform process. Paris therefore denied Mauritania the possibility of remaining tied to the franc zone by maintaining the guarantee of the French Treasury through an advance account.⁵⁰ The goal of the French, who also decided not to provide any technical assistance to the country, was obviously to discourage the Mauritanian authorities from completing their project. It didn't work: on 28 November, President Moktar Ould Daddah, regretting the lack of understanding and logic exhibited by the French government, announced the creation of a national currency.⁵¹

The treatment reserved for Mauritania, however, achieved its goal elsewhere: a few weeks later, Niger and Chad announced that they were not ready to launch their own currency. 'We must first create our prosperity through the discovery and exploitation of our potential riches, in order to guarantee the currency's value, inspire trust in foreigners and allow it to be recognised on the world market', said for example the Chadian president Francois Tombalbaye.⁵² Meanwhile, Boubou Hama, president of the National Assembly of Niger, stated that his country 'does not intend to follow the example of Mauritania', claiming to have 'their own ideas on the management problems of the franc zone'.⁵³

MADAGASCAR WANTS 'TO REGAIN THE FULL EXERCISE OF ITS SOVEREIGNTY' (1973)

The way Madagascar left the franc zone in 1973 is particularly interesting. The process began in 1972, following a national protest against the cooperation agreements with France and the government of President Philibert Tsiranana, deemed too close to the former colonial power. For several weeks, huge demonstrations – which saw the participation of students and workers – filled the streets of Antananarivo, the capital. After a

series of violent clashes with security forces, on 13 May 1972, President Tsiranana entrusted full powers to the Chief of Staff of the Army, General Gabriel Ramanantsoa, who formed a new government. On that occasion, he announced: 'The cooperation system must change. This is the first question I will address.' For several months, Paris did not comment on the issue.

The Franco-Malagasy talks officially began on 25 January 1973. They were held mainly in Paris. It was the Malagasy Foreign Minister – 36-year-old Lieutenant Commander Didier Ratsiraka – who led the delegation charged with conducting the negotiations on behalf of Madagascar. He interfaced with several French representatives, including the Secretary of State for Cooperation Pierre Billecocq, who was replaced in April 1973 by Jean-François Deniau, and the finance minister Valéry Giscard d'Estaing. The tension was high from the beginning. Didier Ratsiraka knew what he wanted. 'Madagascar', he said, 'is determined to recover the full exercise of its sovereignty in all fields: politics, the economy, the currency, defence, education.' The military and monetary issues were, of course, the thorniest. Didier Ratsiraka didn't want any French military presence on the island, while Paris wanted to keep its military base in Diego Suarez. As for the monetary question, the Malagasy minister was determined to take Madagascar out of the franc zone: even though the CFA franc used on the territory of the Republic of Madagascar had been renamed Malagasy franc (*'franc malgache'*) in 1963, it remained part of the CFA system. 'For as long as we have been in the CFA franc zone, we have helped other African countries', he later said. 'At the time there were 7 billion CFA francs parked at the Bank of France. I said that we wanted that money back.'⁵⁴ To Giscard d'Estaing, who asked him if he wasn't taking a 'leap into the unknown' by abandoning the CFA system, Ratsiraka replied: 'It is possible, but it is the mission I have been entrusted with.' What Giscard d'Estaing was implying was that it would be advisable for the country to maintain an operations account. But the commander didn't want a compromise that would end up 'compromising' the country's freedom. According to him, the country had to make a clean break with the franc zone, because 'without a national currency, its independence would always be shaky.'⁵⁵

In the Malagasy delegation, not everyone agreed with Didier Ratsiraka's uncompromising stance. Most of his colleagues tried to convince him to give up abandoning the franc zone. The French, aware of this rift, tried to take advantage of it to get him replaced. Ratsiraka was accused by Jacques Foccart, the then Secretary General for African and Malagasy Affairs, of

being a 'kind of extreme leftist fanatic'. The French government informed the Malagasy head of state, General Ramanantsoa, that they would increase aid to Madagascar if he got rid of Ratsiraka. It proved futile: the general gave 'carte blanche' to Ratsiraka to continue his mission. Paris interrupted the negotiations several times, hoping to gain time and to convince the Malagasy to give up their demands. But even in the French camp opinions differed: President Georges Pompidou was not against the idea of partially giving up Madagascar (whose economic performance was worse than that of Cameroon and the Ivory Coast, for example). Valéry Giscard d'Estaing and Jean-François Deniau, on the other hand, were convinced that France should do everything to keep the country in the franc zone in order to keep the latter's configuration intact.

In the end, the French agreed to abandon their military bases. But no common ground was found on the monetary question. The Malagasy authorities drew their conclusions. On 21 May 1973, General Gabriel Ramanantsoa declared: 'We prefer to remain poor but dignified, rather than kneeling before wealth.' Perhaps he had in mind the famous phrase pronounced by Sékou Touré in front of general De Gaulle in 1958 – 'We prefer to be poor in freedom than rich in slavery'? The following day, from Paris, Didier Ratsiraka announced Madagascar's intention to leave the franc zone. Once again, the French did not want 'to be induced, through a "global" negotiation, to consent to assurances that would set a precedent for other states', *Le Monde* explained.⁵⁶ On 4 June 1973, Didier Ratsiraka and Jean-François Deniau signed the revised agreements, in which the monetary question was not mentioned. Upon his return to Madagascar, the Foreign Minister was greeted triumphantly by his compatriots. On 12 June, the Central Bank of the Republic of Madagascar was created, taking the place of the Malagasy Emission Institute. The Malagasy franc would later change its name to ariary in 2003. Its existence has never been called into question, despite the periods of strong turbulence that the country experienced in the following decades.

THE 'AFRICANISATION' OF THE INSTITUTIONS OF THE FRANC ZONE

Between December 1972 and December 1973 some changes were made to the functioning of the franc zone, as promised by Georges Pompidou. In Central Africa, Chad, Cameroon, Congo, Gabon and the Central African

Empire signed a monetary cooperation convention on 22 November 1972 and adopted the statutes of the Bank of Central African States (BEAC), which succeeded to the BCEAEC. The following day, they concluded a monetary cooperation agreement with France and the chairman of the BEAC board of directors signed an agreement on the operations account with the French Ministry of Finance. A year later, on 14 November 1973, the member countries of the WAMU – Ivory Coast, Dahomey, Upper Volta, Niger, Senegal and Togo – did the same: they too adopted a new monetary treaty and a new statute for the BCEAO. On 4 December, they signed a monetary cooperation agreement with France and a convention establishing the opening of an operations account (the agreement was signed by the president of the Council of Ministers of the WAMU).⁵⁷ The headquarters of the central banks were transferred to the African continent, to Yaoundé (Cameroon) in 1977 for the BEAC and to Dakar (Senegal) in 1978 for the BCEAO. The central banks were now required to deposit 'only' 65 per cent of their currency reserves at the French Treasury instead of the totality of the reserves. They also had the option of granting overdrafts to their national treasuries up to 20 per cent of the tax revenues of the previous year. As for the French representation on the boards of the central banks, it was revised downwards: Paris now only had one seventh of the votes compared to the third it previously held. Nonetheless, it retained its right of veto. This process took the name of 'Africanisation' of the institutions of the franc zone.

The heart of the system, however, remained unchanged: in sub-Saharan Africa, apart from Mauritania and Madagascar, no state dared to ask for greater monetary independence. Thus, France's sphere of influence remained practically unchanged. At the end of 1973, when all the 'cooperation agreements' had already been revised or were under revision, a summit of heads of state of French-speaking Africa took place in Paris, officially on the initiative of the Nigerien president Hamani Diori and the Ivorian president Félix Houphouët-Boigny. Since then this formula would be repeated every year, taking the name of 'France-Africa summit'. Hamani Diori did not participate in the following editions of this 'gathering': his government was overthrown in April 1974 by General Seyni Kountché, three days before an important Franco-Nigerien meeting scheduled to renegotiate the price of the Nigerien uranium purchased by France. Diori understandably wanted to raise the price, against the wishes of Paris. The detachment of the French army in Niamey did not intervene during the coup.⁵⁸

THOMAS SANKARA'S UNFINISHED DREAM (1983–87)

The 1980s were far less fertile than the previous decade as far as the debate over the CFA was concerned. Only Thomas Sankara, who came to power in 1983 in the Upper Volta following a military coup, tried to end the relationship of political and economic dependence established by Paris. This army captain, who would go on to deeply transform his country, which was renamed Burkina Faso ('the land of the upright men'), had very precise ideas on the monetary question. In 1984, in a speech to the General Assembly of the United Nations, he said: 'The new international economic order, for which we are struggling and will continue to struggle, can be achieved only if we manage to do away with the old order, which completely ignores us, only if we insist on the place which is ours in the political organisation of the world, only if we realise our importance in the world and obtain the right to decision-making with respect to the machinery governing trade, economic and monetary affairs at the world level.'⁵⁹

In 1985, the Cameroonian writer Mongo Beti asked him: 'Is the CFA franc not a weapon for the domination of Africa? Does Burkina Faso plan to continue carrying this burden? Why does an African peasant in his village need a convertible currency?'⁶⁰ Sankara replied: 'If the currency is convertible or not has never been the concern of the African peasant. He has been plunged against his will into an economic system against which he is defenceless. I therefore think that he should take action to protect himself against the misdeeds of the system in question. As for the monetary issue, it is never isolated from the rest of the economic system. In this sense, we can say that the CFA franc, as it is linked to the French monetary system, is a weapon for the domination of Africa. The French economy, and therefore the French capitalist mercantile bourgeoisie, has built its fortune on the shoulders of our peoples through this bond, this monetary monopoly. This is the reason why Burkina is fighting to end this situation through the struggle of our people to build an independent and self-sufficient economy. How long this fight will last, I can't say.'

Joseph Tchundjang Pouemi's struggle against 'monetary repression'

In 1980, the publication of the book *Monnaie, servitude et liberté. La répression monétaire de l'Afrique* (Money, servitude and freedom. The monetary



repression of Africa)⁶¹ caused a stir among the supporters of the CFA franc, who were forced to acknowledge that its author, Joseph Tchundjang Pouemi, was a 'brilliant academic', even though they disagreed with him.⁶² Forty years after its publication, this book, the work of a very original spirit, remains remarkably topical.

Born in 1937 in Cameroon, Pouemi completed his university studies in France, in particular at the National School of Statistics and Economic Administration in Paris. His teachers included economists Maurice Allais and Jacques Rueff. After obtaining a doctorate in economics, he taught at the Federal University of Cameroon. Then, after becoming an associate professor, in 1975, he went to work at the University of Abidjan, in the Ivory Coast, as director of the department of public economy. He also worked at the National Office of Studies and Techniques of Development at the Ministry of Planning. In 1977, he joined the IMF in Washington, but resigned after two years. He returned to Cameroon in 1979, where he settled at the University of Douala, first as a professor of quantitative techniques at the Higher School of Economic and Commercial Sciences and then as general manager. He died suddenly on 27 December 1984.

He wrote *Monnaie, servitude et liberté* in the context of the end of the Bretton Woods regime. Taking everyone by surprise, he put forward the iconoclastic argument that Africa's economic problems, its 'underdevelopment', had primarily a monetary origin. In essence, he argued that without effective monetary sovereignty no state can implement economic policies that allow for the accumulation of capital and the full employment of resources and labour, for the simple fact that money, in the sense of credit created by the banking system, precedes production. In a capitalist system, in order to put a production process in motion, entrepreneurs must have access to loans in the form of credit in order to, for example, buy raw materials and pay wages. Without money creation, capital accumulation is unthinkable. This thesis, which forms the basis of the 'monetary theory of production', had already been advanced by leading economists such as Karl Marx, John Maynard Keynes and Joseph Schumpeter. Joseph Tchundjang Pouemi took it up once again, visually describing money as an 'empty good' which is then 'filled' by production. Therefore, if we want to stimulate the growth of production and reduce the underemployment of the workforce, it is essential to have a functioning monetary and financial system that distributes credit to productive sectors and economic projects. But this cannot be taken for granted, since money can be put at the service of illegitimate interests. ►

If the newly independent African states had not been able to get rid of certain aspects of colonial rule, according to Pouemi, it was because they had not fully mastered the monetary instrument. In each country the situation was different, of course. On the continuum of monetary sovereignty, he distinguished four categories as far as the African countries were concerned. Firstly, those states that tried to manage their currencies well but suffered a hostile international economic context: the countries of the Global North tried to discourage the industrialisation of the Global South and to this end did not hesitate to exploit the IMF, which, according to Pouemi, had the tendency to 'repress any government that tries to offer their country a minimum of wellbeing'. Secondly, those countries that possessed the monetary instrument but used it ill-advisedly. Internal 'monetary repression' or 'self-repression' (small presence of Africans in the banking sector, negative interest rates, self-financing practices and price controls, especially in the agricultural sector) were, in his opinion, a gangrene for economic progress. Thirdly, those states that employed 'satellite currencies', that is, national currencies functionally integrated with those of their former colonisers, through the free movement of capital and fixed exchange rates. The fourth and final case concerned those countries whose currencies were still administered on the basis of colonial principles and logics, and which, according to Pouemi, were by all means 'colonial currencies'. The reference was mainly to the countries that used the CFA franc.

The CFA franc was neither the book's main subject nor the only object of critical reflection. For the Cameroonian economist it simply represented the most paradigmatic and most violent example of colonial currency from the point of view of its economic effects. The CFA franc, for Pouemi, was a 'chimera', 'a creature of the French state', just like the French franc, and it represented a purely political and uneconomic choice as a result of which the future of today's and tomorrow's Africans was sacrificed on the altar of the past. According to the economist, the CFA franc was an instrument of colonial economic development: it was not designed to stimulate the growth of African productive forces. It was rather a system that deprived access to credit all those African economic actors who did not adapt to the model of colonial accumulation based, on the one hand, on the production of raw materials for export and, on the other, on the consumption of goods imported from the metropole.

According to Joseph Tchundjang Pouemi, monetary dependence is the foundation of all other forms of dependence. Hence his demand for mon-



etary liberation for the benefit of the peoples of the continent. 'African's fate will be forged through money or it won't be forged at all': these are the words that conclude his masterpiece.

Like Sylvanus Olympio 20 years earlier, Thomas Sankara would not get a chance to complete his project either: he was assassinated on 15 October 1987. One of the main suspects in his murder – for which no trial was ever held – is his successor and former brother in arms, Blaise Compaoré. The latter, who remained in power until 2014, never contested the existence of the CFA franc and maintained very close ties with France. Basile Guissou, Thomas Sankara's Minister of Foreign Affairs, expressed his disappointment in 2017 for failing to achieve monetary independence: 'The currency remained colonial. We tried to exit, but unfortunately it is all a question of power relations. [...] As members of the CFA zone, we were unable to mint our own currency and escape the repression of neighbouring countries and of France.'⁶³

France in Command

The French authorities regularly claim that the CFA franc is an ‘African currency’. ‘The CFA franc belongs to Africans, the future of this currency [...] belongs to Africans’, said the French finance minister Michel Sapin on 11 April 2016, during a visit to Senegal. The African authorities say the same thing: ‘The CFA franc is an African currency, managed by Africans’, said the governor of BCEAO, Tiémoko Meyliet Koné, at the end of 2016. But the facts contradict these statements: the years go by, but the French state continues to hold the reins of the CFA system. We see it in France’s presence within the institutions of the franc zone and in the way in which the major changes concerning the CFA franc have occurred in the last 30 years.

PARIS’S GRIP OVER THE AFRICAN INSTITUTIONS

The ‘Africanisation’ of the institutions of the franc zone, which began in the early 1970s, was never completed: France is still present on the boards of the three central banks located in Dakar, Yaoundé and Moroni, where it has the same number of representatives and votes as each member state of the currency area concerned. Decisions are taken by simple majority, except for those concerning the alteration of the statutes of the BCEAO and BEAC, which must be taken unanimously by all the administrators. This means that France has an implicit right of veto on all essential issues. Paris is also represented in other bodies of the two central banks: the Board of Censors, which controls the execution of their budgets, the Banking Commission, which controls banking activity in the respective areas, etc. Following a change to their statutes, the central banks became independent of their member states. Therefore, since 2007 for the BEAC and since 2010 for the BCEAO, monetary policy is no longer decided by the respective boards of directors and councils of ministers, but by a monetary policy committee in which France is also represented. In this committee, decisions are taken by simple majority, but they cannot encroach on the statutory issues

that require unanimity, thus confirming Paris's right of veto. If monetary policy has moved away from national political powers, it remains under the control of the 'state that guarantees the convertibility of the common currency', according to the periphrasis used in the statutes of the BCEAO to designate France.

Paris's influence over the nomination process at the BCEAO

France's influence extends well beyond the official framework. For example, French authorities do not hesitate to 'steer' the nomination process of the African central banks, who are their main counterparts on the CFA franc issue. It happened in 2006–07, when they did everything to stop the Ivorian Minister of Planning and Development, Paul-Antoine Bohoun Bouabré, from becoming the new governor of the BCEAO.

His name had been put forward by the then president of the Ivory Coast, Laurent Gbagbo, elected in 2000. Traditionally, it is the Ivorian head of state who appoints the governor of the BCEAO, since the country represents almost 40 per cent of the WAEMU's GDP. But in the eyes of the champions of the CFA system, Bohoun Bouabré had a disturbing profile: the former professor of economics at the University of Abidjan had no connection with the BCEAO and was a member of the Ivorian Popular Front, a left-wing party that has always questioned the existence of the CFA franc. As a minister, he had sponsored an 'international conference on the reform of the franc zone', held in 2004 in Abidjan. Bohoun Bouabré had also invented, in the early 2000s, the concept of 'safe budget', based on the idea that the Ivory Coast should rely on its own domestic resources and try not to borrow from Western countries, thus depriving the latter of a substantial flow of interest but also and above all of an important means of influence: a loan often implies a political counterpart.¹ France exerted its pressure on Laurent Gbagbo through two allies of Paris: the president of Niger, Mamadou Tandja, and that of Burkina Faso, Blaise Compaoré, who would both go on to become presidents-in-office of the WAEMU during the period in question.

These pressures were particularly effective, also because they took place in a climate of mutual tension and distrust between the Ivorian and French authorities. Laurent Gbagbo suspected that the French authorities were involved in several coup attempts against him, including that of 19 September 2002 which led to the partition of the country in two, with 60 per cent of the national territory under control of the rebel army of the



New Forces of Ivory Coast. From that moment on, the Ivorian president had maintained ambiguous relations with some of the most powerful French multinationals, such as Bolloré, to which he transferred the management of the container terminal at the port of Abidjan in 2004, in dubious circumstance.² This helps us understand why Gbagbo ended up accepting Paris's demands on the CFA franc issue and replaced Bouabré with Philippe-Henri Dacoury-Tabley, a former BCEAO executive, more compatible with the French 'monetary philosophy'.

The institutional architecture of the two monetary unions is headed by a Conference of the Heads of State and Government and a Council of Ministers. The former meets annually to decide, among other things, on the monetary union's membership. In the case of the West African Monetary Union (WAMU), it deliberates on matters that did not find a consensus in the Council of Ministers. The latter, which meets at least twice a year, decides the 'direction of the monetary union' and 'defines the exchange rate policy of the WAMU in agreement with the governor of the BCEAO'. However, the powers of these bodies are often purely honorary: it is the French state, as guarantor of the CFA's convertibility, that has the last word. For example, for several years Paris blocked Mali's reintegration into the WAMU, which took place only in 1984, even though Mali had submitted the request in 1967. Similarly, Guinea-Bissau was not allowed to join the WAMU until 1997, after having been refused entry by the French authorities for more than ten years. According to Paris, the two countries were unable to provide sufficient guarantees in terms of macroeconomic stability (the inflation rate, government deficit and external debt of Guinea-Bissau, for example, deviated from the average observed in the states of the franc zone). A premature integration, it was said, would have been a burden on the French finances.³ As regards the exchange rate policy, it also falls within the sovereign powers of the French state, as detailed below.

CONTROLLING THE INFORMATION

As we have seen, France manages the operations accounts through its Treasury. It should be noted that the African states receive very little information on the use that is made of their reserves. What are they used for? What is their remuneration rate? The Ministers of the Economy and Finance of the

countries concerned cannot answer these questions due to the lack of transparency in the management of the CFA system. The Treasury and the Bank of France also control the information and the analyses concerning the evolution of the franc zone. The Treasury provides the secretariat of the Franc Zone Convergence Committee (*Comité de convergence de la zone franc*, COCOZOF), whose mission is to 'report on the evolution of the economic and monetary situation in the franc zone, monitor the functioning of multi-lateral surveillance in each sub-region, report on progress made in this area and make recommendations to consolidate this process'.⁴ Furthermore, the Bank of France, since the independence of the African countries, has also been the seat of the secretariat of the Franc Zone Monetary Committee (*Comité monétaire de la zone franc*, COMOZOF), also called 'service of the franc zone and development financing'.⁵ This committee carries out studies on the countries of the franc zone, prepares and publishes the 'annual report of the franc zone', assists the French administrators in the preparation of the boards of directors of the central banks, etc.⁶ For this 'mission of general interest', the Bank of France is remunerated by the French state.⁷ Jointly, the Treasury and the Bank of France supervise the meetings of the finance ministers of the franc zone, which is held once every six months, in Africa in the spring and in Paris in the autumn. Officially, this meeting aims to study 'common problems, both monetary and financial as well as economic'.⁸ It is also an occasion to take stock of the relations between the African countries of the franc zone and the IMF and to harmonise their positions on the topics to be discussed in the general assemblies of the IMF and World Bank, which take place immediately afterwards. Furthermore, it offers Paris the opportunity to remind its African 'partners', as one of the participants ironically explains, 'that it is better to remain part of the family'.⁹

The French imprint on the CFA franc can also be seen within the IMF. In the discussions between the African countries of the franc zone and the IMF, for example, there is a sort of gentlemen's agreement whereby the 'monetary question' is not touched upon. As a result, the IMF reports on the CEMAC and WAEMU systematically circumvent crucial issues such as the cost of the pegging to the euro. All this is made possible by the close ties that historically exist between the IMF and the French state apparatus. Since 1946, the post of managing director of the IMF, reserved for the Europeans according to a Euro-American pact, has often been held by the French.¹⁰ And those who are nominated in general have the same pedigree: 'France has always been careful to appoint as managing directors of the IMF

senior officials who previously distinguished themselves as guardians of the temple of the monetary policy of the former French colonies in Africa,' says economist Sanou Mbaye.¹¹ The director representing France on the IMF's executive board is also appointed by the French Treasury. He or she is assisted by an advisor chosen by the Bank of France and Treasury officials.¹²

A DEVALUATION IMPOSED BY PARIS AND THE IMF (1994)

Through the foot that it retains in the African institutions of the franc zone and beyond, Paris effectively takes all the important decisions regarding the CFA and Comorian francs, often without even informing the concerned states in advance. An example of this is the devaluation of the French franc in December 1958, on the eve of the independence process, and again in August 1969. These unilateral decisions forced the African countries to undertake a heavy adjustment in order to maintain the parity with the French franc, and had serious negative repercussions in the African countries, including an increase in the cost of living, especially in the cities, as well as in the value of their foreign debt. In 1994, a similar decision had even more dramatic consequences: against the opinion of the majority of African leaders, France decided to devalue the CFA francs by 50 per cent, thus altering their parity with the French franc for the first time in 46 years. The history of this event, which sent an unprecedented shockwave across the franc zone, shows how the French authorities are used to working.

It all began in the early 1980s with rising global interest rates, falling commodity prices and the resulting international debt crisis. The countries of the franc zone, which until then had seemed to be in good economic health, were severely affected. The zone's heavyweights, Cameroon and the Ivory Coast, quickly entered a downward spiral. The response of the IMF, which had already provided loans to various countries without being repaid, was to demand a 'real adjustment', meaning a compression of internal demand through a reduction in public spending and imports, in order to bring the public accounts and trade balance back into equilibrium. It also suggested combining this real adjustment with a 'monetary adjustment': a devaluation of the CFA francs. From the point of view of the IMF, this wasn't simply a way of recovering its capital, but also of creating the conditions for the imposition of its neoliberal dogma, which was now triumphant after the fall of the Soviet bloc in 1991.

France rejected this second measure, as it was afraid of touching a precious symbol of Franco-African monetary cooperation. It wanted a real adjustment and nothing else. But its internal politics complicated things. The socialist government of François Mitterrand, elected in 1981, had effectively adopted a strategy of 'competitive disinflation': having failed in his attempt to revive the French economy, he wanted to achieve greater price competitiveness by reducing France's inflationary gap vis-à-vis competing countries. This plan included the pegging of the French franc to the German mark, a strong and credible currency in the eyes of financial markets. The French franc appreciated as a result, causing the CFA francs to strongly appreciate as well. The result was a significant deterioration in the competitiveness of the African countries of the franc zone. The policy of the 'strong franc' penalised them all the more as their main African trading partners, Nigeria and Ghana, meanwhile saw their currencies depreciate.¹³ Impoverished and bled dry due to their previous management errors, the states of the franc zone were forced to cut back the price subsidies to agricultural producers, as well as social expenditure and investment. Due to the ceiling on domestic credit, the countries in question also accumulated growing arrears on their internal payments and saw their foreign debt explode. In 1991, with the exception of Burkina Faso and Chad, all the countries of the CFA franc zone registered a foreign debt exceeding 100 per cent of GDP: over 600 per cent in Equatorial Guinea and Congo, more than 300 per cent in the Ivory Coast, over 200 per cent in Gabon, Mali and Cameroon.¹⁴ At the same time, foreign investors, taking advantage of the free convertibility of the CFA franc and the free movement of capital, massively repatriated their profits and disinvested heavily.¹⁵

The African leaders did not want a devaluation: they feared the economic, social and political consequences, as it would have had the effect of increasing the prices of goods and food imports and therefore, given that their countries were major importers, of domestic prices. Purchasing power would have collapsed, especially in urban areas. The risk was therefore to see social tensions emerge, which could have destabilised the governments in charge. Another inevitable consequence would have been the increase in their foreign debts, denominated in foreign currencies. And for those countries that mainly exported primary products whose prices were fixed abroad, the benefits were uncertain. Only the agricultural countries like the Ivory Coast could have expected any advantage: since agricultural prices were fixed in foreign currencies, the devaluation would have led to an

increase in the value of their export earnings in CFA francs. As the Gabonese president Omar Bongo said several years later: 'Gabon did not benefit much from the devaluation because it is not a country with an agricultural vocation. It was above all those countries that benefited from the devaluation, not the countries characterised by an industrial economy or the export of raw materials.' 'We got played,' he concluded.¹⁶

In the early 1990s, as the situation was not improving, the IMF returned to the charge with its devaluation plans. This time round, however, it was able to count on the support of its director, Michel Camdessus, former director of the French Treasury and former governor of the Bank of France, who resorted to no less than outright blackmail: at the end of 1991, the IMF refused to continue lending money to the Ivory Coast, offering the country two options. Either the country reimbursed the debts contracted with the Fund or it accepted devaluation. If it failed to do so, the country would have been declared off-track, meaning it would have been excluded from the loan programs of the two Bretton Woods institutions, the IMF and the World Bank. However, the president of the Ivory Coast, Felix Houphouët-Boigny, who opposed the devaluation, managed to temporarily resist the IMF's pressure, borrowing from Paris the money needed to pay off the country's debt to the Fund. But the latter, like the World Bank, continued to exert pressure on the other states.

In 1992, rumours of an imminent devaluation spread, which aggravated capital flight. This triggered a panic among the African leaders, who had not received any warning from Paris. On 31 July, Felix Houphouët-Boigny, Omar Bongo, Blaise Compaoré and Abdou Diouf rushed to the Élysée. They asked François Mitterrand to intervene to prevent the devaluation. Their French host reassured them... when in fact the decision to devalue had already been taken! This is what the former minister Michel Roussin states in his memoirs: 'In July 1992, the first attempt [at devaluation] failed dramatically. However, the dossier was technically mature, the entourage of the Minister of Cooperation at the time, Marcel Debarge, was favourable, as was that of President Mitterrand. But there was no preliminary consultation with the African leaders.'¹⁷ Treasury officials worked for several months 'in great secrecy on various post-devaluation scenarios,' according to the journalists Antoine Glaser and Stephen Smith.¹⁸

A change in the government majority in France helped them realise their project. In March 1993, Édouard Balladur, who favoured a conservative economic policy, was appointed prime minister. He brought into his cabinet

a former Treasury official, Anne Le Lorier, who had worked with him when he had served as economy minister. She was charged with managing the devaluation along with a small group of French senior officials, the IMF and the World Bank. On 2 August 1993, things became clearer: the monetary authorities of the franc zone suspended the redemption of CFA banknotes outside of the franc zone. Shortly thereafter, the BEAC decided to no longer guarantee the convertibility of its CFA franc banknotes within the WAMU. The BCEAO did the same with its banknotes within the CEMAC. The CFA franc notes of the two areas could no longer be exchanged directly between each other, but had to pass through the anchor currency. The aim was to stem capital flight, but also to 'limit the haemorrhaging' of CFA francs towards Nigeria and 'contain the invasion of products manufactured from that country', notes the economist Javier Herrera.¹⁹ At the same time, Paris's attitude towards its African 'partners' changed dramatically. On 16 September, Balladur announced in writing to the African heads of state that France would no longer grant loans to those countries that had not concluded an agreement with the IMF and the World Bank. The same message was delivered a few days later by Edmond Alphandéry, the French economy minister, during a meeting of the finance ministers of the franc zone in Abidjan. This new policy, called the 'Abidjan doctrine' or 'Balladur doctrine', rendered the devaluation inevitable, as the IMF announced that it would continue to deal only with those states that had agreed to devalue. The devaluation, therefore, was no longer presented as a tool to correct macroeconomic imbalances, but as the necessary condition for African states to have access to international funds.²⁰

The last act of this strange saga took place in January 1994 in Dakar. Officially, the representatives of the countries of the franc zone, including ten heads of state, were gathered to decide the fate of the Air Afrique airline, which was going through a serious crisis. In fact, the African delegations discussed for hours the question of the devaluation, which they still hoped to avoid, with the leaders of the French Treasury, including the director Christian Noyer, the French cooperation minister Michel Roussin, the IMF's director Michel Camdessus and a World Bank official, Katherine Marshall. After 17 hours of discussion behind closed doors, the African leaders threw in the towel and on the evening of 11 January, at 8.50 PM, the Cameroonian finance minister, Antoine Ntsimi, under the supervision of Michel Roussin and Michel Camdessus, announced to the media that at 12 AM on 12 January a CFA franc would have been exchanged for

0.01 French francs instead of the previous 0.02.²¹ A statement from the French authorities specified that: 'The heads of state and government of the African member countries of the franc zone have decided in full autonomy, after consulting with the International Monetary Fund, to change the parity of the CFA franc into a CFA franc for a French cent [...]. France has accepted this revision.' This blatantly untruthful text fooled no one in Africa. Antoine Glaser and Stephen Smith explain how the representatives of the IMF and the World Bank did not hesitate to pull out 'personal' dossiers on some African leaders to bring them to heel.²² We can therefore understand why the African leaders left Dakar on 11 January 1994 without greeting their French counterparts.

FRANCE DEFENDS ITS INTERESTS ABOVE ALL

The devaluation triggered a heated debate among economists, especially in France.²³ Some believed that it would allow the states of the franc zone to revamp their exports since the lower value of the CFA franc would restore the price competitiveness of their products. Farmers were expected to benefit the most from the devaluation, since it would make their products cheaper than imported ones on domestic markets. They would also increase their export profits as well: since the prices of their goods sold on world markets, such as cocoa or coffee, are denominated in foreign currency, their export earnings, once converted into francs CFA, would increase (with a devaluation of 50 per cent, they would double). Moreover, state revenues, stimulated by the aforementioned export earnings and the higher tax receipts on local goods, would also benefit.

According to other economists, the devaluation would have only short-term effects: it wouldn't solve the underlying problems of the CFA countries due to the low diversification of their exports, dominated by primary products, and their dependence on imports of foodstuffs, oil, medicines, equipment and technologies, etc. A change in the exchange rate parity, they argued, would further worsen the trade balance of the African states of the franc zone.

However, the central question of the very existence of the franc zone was not addressed. Yet it was clear that the difficulties created or amplified by the CFA system would be overcome in the long run only through a substantial reform of the system – or through its undoing. In reality, the choice to devalue was not taken because it was considered the most effec-

tive or most rational measure. The solution to the monetary adjustment had already shown its limits during the devaluations of the Nigerian naira and the Ghanaian cedi.²⁴ Furthermore, applying the same rate of devaluation to 14 different states didn't make much sense, since the level of overvaluation of the exchange rate differed from country to country,²⁵ as acknowledged even by the officials of the IMF.²⁶ Truly using the devaluation tool in a rational manner would have required putting an end to the franc zone or radically reforming its architecture.²⁷ Thus, France and the IMF didn't only act against the will of the majority of African countries, but also against economic reason, by imposing the same rate of devaluation to all countries. The fact is that both France and the IMF wanted first and foremost to defend their interests. And that's what they did.

France scored at least three goals. Firstly, thanks to the single rate of devaluation, it kept the franc zone intact. Secondly, by teaming up with the IMF and using it as a smokescreen, it was able to elude its role as guarantor. It didn't have to pay out a single cent because it hadn't offered any guarantee of convertibility. And thirdly, the 50 per cent devaluation allowed France to double its financial capacity in CFA francs from one day to the next. The budget of the French Ministry of Cooperation, which at the time amounted to 8 billion French francs and was worth 400 billion CFA francs before the change of parity, was now worth 800 billion CFA francs.²⁸ As for the IMF, it had the satisfaction of getting the monetary adjustment it had so ardently sought and which, as an added bonus, also had the merit of lowering the cost of African goods for Western buyers.²⁹ The devaluation offered the Bretton Woods institutions the opportunity to accelerate the economic liberalisation of the countries of the franc zone. Instead of receiving the funds they had been promised in exchange for the devaluation, the countries were forced to adopt so-called 'structural adjustment plans,' consisting mainly of the privatisation of public enterprises – often for the benefit of French groups – and of major budget cuts in various sectors (education, health, agriculture, etc.).³⁰ These budgetary restrictions led, among other things, to massive redundancies in the public administration and/or significant wage reductions.

After 1994, most African countries returned to growth. However, the main cause of this recovery was not the devaluation, even though it played an important role. This occurred in a context of global economic recovery, rising commodity prices and good weather conditions. It was also facilitated by the accompanying measures of France and the Bretton Woods

institutions, which, among other things, took steps to reduce the foreign debt of African countries.³¹ The devaluation did not generally favour the recovery of the industrial sector. As expected, agricultural countries benefited the most. Despite a 90 per cent increase in the price of inputs, Ivorian cocoa became competitive again. The revision of the parity of the CFA franc also benefited the cotton-producing countries, due to their higher price competitiveness. In net rice importing countries, like Senegal, however, the balance was negative. In Togo, the devaluation caused a food shortage and an uncontrolled increase in prices that also extended to local goods. 'We are tired of the French continually exploiting us', populations lamented. 'They are never satisfied and they are killing us with this devaluation.'³² In fact, the devaluation accelerated the decline in the real incomes of the populations, which had been ongoing since the 1970s. The purchasing power of households, particularly in urban areas, collapsed due to the explosion in the prices of imported consumer products (food, medicines, etc.). Instead of a redistribution of income from urban to rural areas, there was an increase in inequalities, corroborated by the increase in informal employment.³³

THE FLIP SIDE OF THE FRENCH 'GUARANTEE'

If we look at events over time, we can see that the 1994 devaluation was the culmination of decades of obstinacy on the part of Paris, encouraged by some African states, to keep the franc zone and its mechanisms in place, at all costs and in spite of reality. It's clear that the CFA franc had long been overvalued for many countries of the zone. Economists had raised this issue several times, noting in particular how it penalised the export sectors, in particular the rural producers. Economist Samir Amin had raised the alarm as early as the 1960s. 'I thought the CFA was overvalued, but to varying degrees depending on each country, and that this gap between countries would increase more and more, as national development policies and their results also differed between countries,' explains Amin in his memoirs. 'I insisted that it had to be understood that a devaluation was not in itself something to be ashamed of, but that it had to be self-controlled; that we should avoid putting ourselves in the position of having it forced upon us by the "market", the French Treasury or the IMF'³⁴ In 1974, a group of North American economists, including the Canadian Rodrigue Tremblay,³⁵ suggested 'aligning the exchange rates according to the economic needs of

Africans instead of maintaining the franc zone in its present form,³⁶ but France never took these opinions into account.

While confirming France's sovereignty over the currency of the franc zone (Édouard Balladur even went as far as saying: '*La dévaluation, c'est moi*'),³⁷ the devaluation also revealed the true nature of the French 'guarantee of unlimited convertibility'. France activated the latter in the 1980s, as the operations accounts of the BEAC and BCEAO turned negative for the first time³⁸ – since independence, the two central banks had always covered their monetary issuance with their own reserves, often beyond the levels required by the monetary agreements with France. To enable it to cope with the crisis, the French Treasury loaned an average of 32 billion CFA francs a year to the BCEAO between 1980 and 1990.³⁹ However, while the overdraft offered by the French government to the central banks allowed them to regulate their payments with the rest of the world, it also gave rise to a very damaging phenomenon for the economies of the franc zone: capital flight. Initially caused by the economic crisis, these outflows of money were greatly facilitated by the functioning of the franc zone and precisely by the free movement of capital. So much so that in a short time they reached very worrying proportions. At least 450 billion CFA francs were repatriated from the franc zone in 1988 and 300 billion in 1989,⁴⁰ huge sums, which were totally disproportionate to the overdraft 'offered' by France. It was precisely these capital outflows that reduced the central banks' foreign exchange reserves and sent their operations accounts in a debit position. By adopting measures to limit the free movement of capital, the BEAC and the BCEAO would probably have succeeded in greatly limiting the damage. Instead, the French guarantee allowed the continuation of the financial drain that eventually led to the devaluation.

If the French government had maintained its commitment to granting an unlimited guarantee of convertibility at a 'fixed rate', the devaluation would never have taken place, especially considering that most African heads of state were against it. In deciding to devalue, France opted for a solution that had the advantage of quickly restoring the rate of coverage of money issuance to a more adequate level, or at a level that made its 'guarantee' redundant. For the BCEAO, this rate rose rapidly to 92 per cent between 1994 and 1997.⁴¹

In 1994, France thus demonstrated that its 'guarantee of unlimited convertibility' was an intellectual and political fraud, retrospectively proving that Modibo Keita was right when he declared in 1962: 'France guarantees

the CFA franc only because it knows that this guarantee will never really materialise, even though Paris continued to be represented in the central banks of the franc zone precisely by virtue of its alleged role as 'guarantor'. But that's not all: France also managed to preserve the franc zone even after the country's transition from the franc to the euro.

The birth of the CFA euro

On the margins of the reorganisation of the relations between France, the African countries of the franc zone and the IMF, the devaluation marked the beginning of the European 'normalisation' of the CFA franc. Before the advent of the future European single currency, France was keen to reassure the African countries that the economic logic of the Maastricht Treaty, signed in 1992, would be assimilated by the African countries as well. On 10 January 1994, a day before the announcement of the devaluation, the West African Economic and Monetary Union (WAEMU) was established alongside the WAMU. The treaty on the Economic and Monetary Community of Central Africa (CEMAC) was signed in March 1994 and entered into force in 1999. The CEMAC, which replaced the Customs and Economic Union of Central Africa (UDEAC), consisted of the Central African Monetary Union (*Union monétaire d'Afrique centrale*, UMAC) and the Union of Central African States (*Union des Etats d'Afrique centrale*, UEAC). The idea behind these treaties was that monetary integration implied a greater economic and trade collaboration between countries at the regional level and the adoption of common policies in these areas. The macroeconomic surveillance mechanisms adopted by the franc zone were almost a copy and paste of the provisions of the Maastricht Treaty.⁴² Created in 1999, the Franc Zone Convergence Committee (*Comité de convergence de la zone franc*, COCOZOF), composed of representatives of the WAEMU, CEMAC, Comoros and France, has the task of ensuring that the economies of the countries of the franc zone 'converge', that is, adopt common rules and objectives. The French Treasury provides its secretariat. The WAEMU defines three convergence criteria: an overall budget deficit of less than or equal to 3 per cent of GDP; an annual inflation rate lower than or equal to 3 per cent; and a public debt lower than or equal to 70 per cent of GDP. These last two indicators are also among the CEMAC's criteria, which include: the non-accumulation of arrears in foreign or domestic payments and a budget balance greater than or equal to zero per cent of GDP. With the revision of their statutes, the BEAC (in 2007 and 2010) and the BCEAO



(in 2010) adapted to so-called 'new consensus of monetary policy':⁴³ they thus became, in principle, independent of the African political authorities; a monetary policy committee was created to define monetary policy; and both adopted price stability as a mandate. This 'consensus' is based on the groundless belief that monetary policy should not be concerned with employment and that fiscal policy should not play an active role.⁴⁴

FRANCE ADOPTS THE EURO BUT MAINTAINS ITS MONETARY EMPIRE

The transition from the French franc to the euro, which took place on 1 January 1999, is the second major event to have marked the history of the franc zone over the past three decades; just like the first one, it was entirely decided and managed by Paris. Let's dive into the atmosphere of the years that preceded this 'turning point'.

At the time, the Africans had many questions on their mind. Will the advent of the euro lead to the end of the franc zone? Will France, after having 'played' the Africans in 1994, do the same thing this time round as well? What does the 'unlimited guarantee' of the French Treasury mean in this new context, given that the latter will probably have no control over a statutorily independent European Central Bank (ECB)? If the franc zone is maintained, will it be necessary to change the exchange rate regime? If the choice is made to maintain a fixed parity by pegging the CFA francs to the euro, is there not a risk of devaluation, since the euro will probably end up being a very strong currency, even stronger than the dollar? In the hypothesis that the franc zone is maintained and that the choice is made to peg it to the euro without any devaluation, do the African currencies not risk, on the contrary, of being overvalued? All these questions troubled the sleep of the African leaders. Their doubts were legitimate. In the context of the transition to the euro, the European Economic and Monetary Union (EMU) became the only competent authority in matters of monetary and exchange rate policy. From a legal point of view, its members would no longer be able to seal monetary cooperation agreements or exchange rate agreements with third countries. In the legal language of the European institutions, 'monetary cooperation' agreements allow third countries to use the euro as their official currency, such as the European Union's agreements with the Principality of Monaco, the Vatican State and the Republic of San Marino, while

'exchange rate cooperation' agreements refer to the pegging of the currencies of third countries to the euro.⁴⁵ Presumably, the agreements between France and the African countries of the franc zone fell into the latter category. Especially since a protocol annexed to the Treaty establishing the European Community, included to 'take into account a particular element concerning France', did not mention the franc zone. It simply stated that France 'will keep its privilege of monetary emission in its overseas territories under the terms established by its national laws' and that it 'will be solely entitled to determine the parity of the CFP franc' (the Pacific franc).⁴⁶

However, France, which intended to maintain its control of the franc zone, had a few tricks up its sleeve. In the negotiations that led to the emergence of the EMU in the 1990s, the member states agreed to maintain the monetary agreements concluded before 1 January 1999, for reasons of continuity and compliance with the principles of international law. Provisions to this end exist in the Maastricht Treaty, signed in Paris in 1992.⁴⁷ France used this to allay the fears of the countries of the franc zone. On 6 December 1996, during a France–Africa summit, President Jacques Chirac assured his African counterparts that the advent of the euro would not have 'any consequences for them except for the fact that, instead of being pegged to the French franc, they will now be pegged through the French franc to a strong international currency'. But his statements were not enough to put a halt to the conjecturing. The CFA franc zone may well be safe, but what about the rumours of an imminent devaluation? At a meeting of finance ministers of the franc zone, in April 1998, Dominique Strauss-Kahn, the French finance minister, argued that a devaluation was not on the agenda. But the memories of 1994 were still fresh.

NEGOTIATING AWAY FROM PRYING EYES

In the corridors of the European Union the issue on the agenda was not the pegging of the CFA and Comorian francs to the euro or their exchange rate vis-à-vis the euro; it was rather what the respective prerogatives of France and the EMU authorities would be in the eventuality of a pegging to the euro. France's ambition was to link the CFA and Comorian francs to the euro, but to remain wholly in charge, without its European counterparts and the European Union having a say on the matter. The argument of the French authorities was that the agreements they had signed with the African countries of the franc zone, through which they vowed to help ensure the

convertibility of the CFA and Comorian francs, did not have a 'monetary' character because they didn't involve any financial commitment on behalf of the Bank of France or the European System of Central Banks (ESCB). It was the French Ministry of Finance, through the Treasury, which promised to provide financial support to African countries, if necessary. According to Paris, these agreements had a 'budgetary' nature. And since budgetary issues did not fall within the competence of the European Union, this was a Franco-French issue under article 111, paragraph 5 of the Treaty establishing the European Community.⁴⁸

These arguments did not convince Germany, Austria and the Netherlands. They invoked article 111, paragraph 1, which established that monetary and exchange rate agreements were the responsibility of the European Community. This implied the unanimous vote of the European Council to validate the pegging of the CFA and Comorian francs to the euro. According to these three states, the supervision of the European authorities was important because it guaranteed the transparency of the exchange rate agreements between France and the African countries of the franc zone. Furthermore, they feared that the convertibility guarantee could cost France money and thus lead it to disregard its European budgetary commitments.

By reassuring its partners that it would not have to shell out any substantial sums to guarantee the convertibility of the CFA and Comorian francs, the French government won the day: a compromise was finally found on the basis of article 111, paragraph 3 and France maintained the exchange rate agreements it had concluded with the African countries of the franc zone. On the other hand, it remained solely responsible for their implementation and would not receive any financial support from the EMU or ECB. It also had to ensure that these agreements would not compromise its budgetary stability and, indirectly, that of the EMU as a whole.⁴⁹ Paris once again demonstrated its great diplomatic skills. At no time were the African states included in the negotiations.

On 23 November 1998, the European Council accepted a decision, ratified on 12 January 1999 by the European Parliament, which attributed a 'new legal status'⁵⁰ to the exchange rate cooperation agreements between France and the African countries of the franc zone. This decision obliged Paris to inform in advance the Economic and Financial Committee of the European Union about any plans to change the parity of the CFA francs against the euro. Any change in the convertibility guarantee, as well as the accession of new member states, also required a European consensus.

In order for the franc zone to survive the disappearance of the French franc, France had to grant the EMU a small portion of its sovereignty over the CFA and Comorian francs. These have been under a double tutelage – French and European – ever since. Thus the franc zone gave way to the Euro-African zone.⁵¹

France and the African heads of state emerged victorious from the operation: the former maintained its monetary empire, while the latter were heartened by the fact that the changeover to the euro had not caused significant monetary troubles. There was no devaluation as in 1994 and Paris was still there to provide its ‘guarantee’. Furthermore, they saw in the pegging to the euro the promise of new markets for African products and an opportunity to tap into the liquidity of international financial markets. This at least was the argument peddled by the French architects of the euro. ‘The arrival of the euro, far from being a threat, is an opportunity for the franc zone. If you know how to seize it’, said the former adviser to Édouard Balladur, Yves-Thibault de Silguy, ‘senior civil servant and businessman’, who some journalists describe as the ‘father of the euro’.⁵²

However, in accepting the decision to peg the CFA francs to the euro according to a *de facto* fixed parity, the French and African leaders did not take into account the fears of many African economists. During a conference organised in Dakar in early November 1998 by CODESRIA (Council for the Development of Social Science Research in Africa), one of the most influential research institutes in Africa, more than 200 African researchers and experts concluded that the option of a fixed and non-adjustable pegging of the CFA francs to the euro should be ruled out.⁵³ According to one of them, Paul-Pacôme N’Guindza-Okouyi, this pegging would determine ‘a paradoxical and unsustainable situation whereby the African economies will be asked to compete with the most powerful economies in Europe’. The researchers also warned that the risk of a CFA overvaluation was not negligible, as the Maastricht Treaty gave priority to price stability and the ambition of the euro architects was to create a currency capable of competing with the dollar. ‘A developing area of the world with an overvalued currency is automatically excluded from global competition’, warned Karamoko Kané. Finally, these African economists pointed out that the choice of a fixed and non-adjustable exchange rate regime meant depriving African countries of the possibility of conducting an autonomous monetary policy. If there had to be a link between the CFA franc and the euro, according to Adama Diaw, this should be ‘flexible, adaptable to the circum-

stances'. In summary, these experts sounded the alarm bell: opting for a fixed and non-adjustable parity, African countries risked seeing their monetary policy calibrated according to that of the eurozone and their exports become less competitive.

These experts were completely ignored. It was to be expected, considering that the Senegalese president Abdou Diouf had declared, at the opening of the conference, that the pegging to the euro was 'a choice of "heart and reason"' which reflected 'our clear awareness of the fact that our long-standing monetary cooperation with France has many advantages that we must optimise in a wider geographical context'.⁵⁴ The line had been dictated before the conference had even begun! The African citizens were never consulted. Although the French government had organised a referendum in 1992 for the ratification of the Maastricht Treaty, the French and African leaders did not consider this democratic test appropriate for African countries.

ONCE AGAIN, PARIS DOES NOT FULFIL ITS ROLE AS GUARANTOR

Another important but more recent episode in the history of the CFA franc confirmed that the French authorities continue to dictate the rules of the game. This sequence of events took place in the CEMAC area between 2014 and 2016. More precisely, it began in June 2014. At that time, the oil-producing countries of the region were experiencing the beginning of a new crisis: the price of black gold had collapsed by almost 50 per cent in six months. The effects of this collapse were manifold, as oil represented over three-quarters of regional exports and half of budgetary revenues in 2014. The CEMAC states were forced to cut investment and growth slowed sharply. In Equatorial Guinea, the growth rate even turned negative: -7.4 per cent in 2015, -9.9 per cent in 2016. The same applies to Chad. Between 2014 and 2016, regional GDP growth went from 4.9 to 1.7 per cent and the budget deficit rose from 1.8 per cent to 9 per cent of GDP. Cameroon was the least affected country, by virtue of the fact that oil accounted for only 10 per cent of its GDP, but, like Chad, it had to increase its military spending to counter the attacks of the terrorist group Boko Haram. The level of the CEMAC's foreign assets deposited in its operations account also decreased, going from 4,974.4 billion CFA francs in 2013 to 3,288.3 billion in 2015. In August 2016, the IMF estimated that the level of reserves would continue

to fall to 1,988.4 billion in 2017.⁵⁵ 'Since the end of March 2016, the reserve coverage has fallen to 3.9 months of future imports, below the level considered adequate (5 months) for a monetary union rich in natural resources and with a fixed exchange rate regime', observed the IMF, which criticised the BEAC for being 'too accommodating' towards its member states, granting them significant budgetary overdrafts. This policy, according to the IMF, had 'reached its limits' and 'contributed to the reduction of reserves'.

Also Paris expressed its disappointment with the BEAC's decision and the behaviour of some African heads of state, which could be interpreted as the beginning of a rebellion. The Chadian president, Idriss Déby, particularly bothered the French Ministry of Economy: to wrestle more money out of Paris, this old ally, which hosted an important French military base on his territory, spoke out against the CFA franc. 'There are obsolete clauses', he declared in August 2015. 'These will be reviewed in the interest of Africa and France. They drag the African economy downwards.' Paris received the message loud and clear, and immediately sent a delegation to the BEAC's headquarters, in Yaoundé, to appease the demands of the Chadian president before the tensions increased any further. The swiftness of the reaction shows that Paris is aware of the growing sway that anti-CFA and even anti-French positions have on the African public opinion.

In response to the IMF's criticisms, the CEMAC's authorities replied that they could not remain passive in the face of the difficulties of the countries of the zone and that they had adopted policies similar to those employed by other central banks in similar circumstances.⁵⁶ Above all, they pointed out that the agreements with the French government provided that, in the event of an exhaustion of foreign exchange reserves, the French Treasury would provide financial support to guarantee the convertibility of the CFA francs.

But, just as in 1994, France had no intention of fulfilling its role as guarantor, which committed the country to make available to the BEAC, in the event of an exhaustion of its foreign exchange reserves, the amount in euros it should need to settle its foreign payments. France, instead, got the IMF involved with a clear aim in mind: to get the CEMAC states to borrow the money they needed from the Fund instead. The idea was to resort once again to the 'Balladur doctrine', first put into practice in 1993, and then to condition Paris's assistance to the CEMAC countries to the signing of a prior agreement with the IMF. From the point of view of the African leaders, this was the worst possible solution: no one had forgotten the heavy

conditionalities imposed by the IMF in the 1990s in exchange for its financial assistance and the loss of sovereignty they had entailed.

THE RETURN OF THE 'BALLADUR DOCTRINE'

While the IMF repeated that it was ready to 'assist' the CEMAC, the French Ministry of Economy stated that the Fund was 'the only possible solution'. The African states, meanwhile, were looking for money elsewhere. Some, like Gabon and Cameroon, turned to the African Development Bank (AfDB), a multinational financial institution based in Abidjan, for a loan. However, this solution was quickly blocked. France and its Western allies sit on the AfDB's board of directors and finance its operations dedicated to low-income countries (France is one of the main donors) and can therefore guide the decision-making process. France made it clear that those countries that had not concluded an adjustment program with the IMF or had not received a preliminary assessment by the IMF could not receive any budgetary support from the AfDB aimed at strengthening the sustainability of their public finances and restoring their foreign currency reserves.

Meanwhile, rumours began to spread in the region that a devaluation of the CEMAC CFA franc was inevitable and imminent. Under pressure, the CEMAC's heads of state finally surrendered on 23 December 2016 during a summit held in Yaoundé on the initiative of Paris and the IMF. Michel Sapin, France's finance minister, and his compatriot Christine Lagarde, managing director of the IMF, were there. The meeting was very tense. The president of Equatorial Guinea, Teodoro Obiang Nguema Mbasogo, posed several embarrassing questions to the French representatives. 'Why does the French Treasury guarantee no longer apply whenever we have a problem?', he asked in essence.⁵⁷ He didn't get an answer. At the end of the summit, the heads of state declared, in a statement prepared by Paris, that they had come to the conclusion that a 'readjustment of the current monetary parity' with the euro was not necessary. Thus they implied that the risk of a devaluation had effectively existed, although this was not the case.⁵⁸ The idea of a monetary adjustment had actually been spread by Paris only to make the 'IMF pill' more digestible for the African heads of state and public opinion. In their final statement, the leaders stated that they had decided 'to start and conclude bilateral negotiations with the IMF in the near future'. The photo taken at the end of the summit is worth a thousand words: in it, you

can clearly see the six heads of state physically placed between Michel Sapin and Christine Lagarde.

From the point of view of the IMF, the operation was a success, since it allowed it to recover a central role in the affairs of the CEMAC, where it had been scarcely present since the mid-2000s. During the following months, the states of the region began negotiations with the Fund. Chad, for example, obtained a loan of €255 million over three years. In exchange, it had to commit to reducing public spending, resulting in a reduction in the salaries of public employees. France had reason to celebrate as well: as in 1994, once again it had managed to escape its role as guarantor. Above all, the return of the IMF would help curtail China's influence in the region, which had become too cumbersome in the eyes of Westerners: a state that is subject to an IMF programme is in fact forbidden from taking out non-concessional loan – that is, loans at market rates, instead of low-interest loans granted at preferential rates – and from getting into debt with third entities or countries without the prior consent of the IMF.

The whole affair served as a reminder that France's sovereignty over the CFA gives it a lot of power. Due to their lack of monetary sovereignty, the CEMAC states could not follow the example of Nigeria, another oil-producing country, which managed to avoid ending up in the IMF's clutches. From the outset of the crisis, Nigeria excluded any recourse to IMF loans and adjustment programmes as a solution to its economic and financial problems. Instead, it preferred to seek the financial support of the AfDB to implement a programme of reform. The first tranche of the loan was disbursed without problems. But Westerners used their influence within the AfDB to condition the payment of the second tranche to a preliminary assessment of the country's reform programme. Rather than bowing to this diktat, the Nigerian authorities preferred to turn to China. Beijing agreed to lend the country a much higher sum than the one promised by the AfDB.⁵⁹

The second reality highlighted by these events is that Paris is able to impose itself more easily on those leaders who have a scant democratic legitimacy and are responsible for a flawed conduct of their country's economic affairs. The fact that the presidents of the region, most of them in power since the 1980s after a series of dubious elections, have not always had a transparent management of their public finances in the years prior to the 2014 crisis, gave the French another means of pressure, just like in 1994, when Paris had pulled out 'personal' files belonging to some of them.

**France produces the banknotes and coins
and holds the gold of the franc zone**

The currencies issued by the BCC, the BEAC and the BCEAO each have their own currency code: KMF, XAF and XOF respectively. The CFA franc banknotes are produced in France by the Bank of France's printing plant in Chamalières, in the department of Puy-de-Dôme, while the coins are minted at the Paris mint, located in Pessac, in the Gironde department. The countries of the franc zone are not the only ones to have their currencies produced abroad. Only eight of the 39 African countries that do not belong to the franc zone have their own printing facilities: Ghana, Nigeria, South Africa, Morocco, Egypt, Algeria, the Democratic Republic of the Congo and Sudan.⁶⁰ The decision to have the CFA francs produced in France is obviously linked to the country's long-standing and atypical relations with the states of the franc zone. But the country also has a long experience in this field: the Bank of France is the main printing works for euro banknotes and also produces the currencies of countries that are not members of the eurozone or the franc zone, including Madagascar.

However, the way this happens is questionable. First, it should be noted that the central banks of the franc zone do not issue call for tenders for the production of their currencies, contrary to the standard rules of good management. One may ask why more than 70 years of 'monetary cooperation' have not allowed 15 African countries to have the capacity to produce their own banknotes. Some justify this situation by saying that the manufacturing process is too complex for African countries. But this argument is not very convincing, especially in the long run. A country like Kenya cooperates with a private company that has agreed to outsource the production of the shilling to Kenya. If the Democratic Republic of the Congo was able to obtain the necessary means to manufacture its currency, the countries of the franc zone should be able to do so as well. It would be in their interest, given that the current system is very expensive. Between 2013 and 2017, the BCEAO spent 226.8 million euros for the 'maintenance of the currency circulation', which involves the purchase, transport and insurance of banknotes, at an average cost of €45 million per year.⁶¹ Between the mid-2000s and 2017, the bill has reached over half a billion euros.

There is another important point to note: the Bank of France holds almost 90 per cent of the gold reserves of the BCEAO, and therefore of the WAEMU countries, estimated in 2017 at 1,174.234 ounces, or nearly 36.5 tons.⁶² In general, central banks store their own gold reserves, except in



very specific historical circumstances, since gold is the currency of currencies. It is the only asset that, in times of crisis of the international monetary system, engenders the trust of economic agents, hence the term 'safe haven'. During an official visit to Burkina Faso, a member of the WAEMU, in November 2017, French president Emmanuel Macron denied that the country's reserves were located in France. 'If anyone can tell me where the Burkinabe gold is hidden in Paris, I'm all ears. There is none [*sic*], let's be serious! One should not make simplistic statements on complicated matters,' he said, among other things, to the students who questioned him on the subject.⁶³ Should we interpret this as an admission of the president's ignorance or as an attempt to evade a delicate question? Because the fact that the Bank of France holds almost all the BCEAO's gold is not a trivial matter: it is a further indication of the lack of sovereignty of the countries of the franc zone.

Ultimately, France once again demonstrated that its guarantee is a myth. It is sufficient to examine the budget laws of the years 2016, 2017 and 2018 to confirm this: as already stated in Chapter 2, the French government has not allocated any funds to ensure, if necessary, the convertibility of the CFA franc. The amount indicated on the line dedicated to the 'monetary agreements', which refers to the Treasury's commitments towards the BEAC, the BCEAO and the BCC, is zero euro.⁶⁴

At the Service of the *Françafrique*

If the French authorities are so keen on maintaining control of the CFA franc, keeping it intact and preventing the African countries from leaving the franc zone, it is rather obvious that is because they continue to consider it an essential tool. Indeed, it is still the main weapon at France's disposal to guarantee the continuity of the so-called '*Françafrique*', this system of domination that contributes to the survival of the former metropole. It is what allows France to continue to extract significant resources from the African continent, including various strategic raw materials, and its businesses to easily gain access to the region's markets and have the possibility of freely repatriating their profits to France. Furthermore, France doesn't have to pay a cent for all this. In the following pages, we will see how this system allows France to claim a diplomatic role in an increasingly competitive international stage, in addition to offering it exceptional instruments of political control and repression against the countries of the franc zone.

A KEY INSTRUMENT OF THE FRENCH ECONOMY

In 1970, the French Economic and Social Council listed in a report the 'indisputable advantages for France' deriving from the maintenance of the franc zone. It highlighted how the African countries of the franc zone were providing more and more reserves to France, part of which was used to regulate their trade deficit with the French economy. There was another positive aspect for the French state: 'The overseas countries remain for French exports, if not "privileged markets", at least large and stable markets.' Finally, the CFA system 'proved to be interesting because the free movement of capital provides a guarantee for French interests in Africa' and allows France 'to purchase raw materials in French francs'.¹ Fifty years after this diagnosis, the situation remains largely unchanged.

Contrary to the assertion that it is now an integral part of the 'French Official Development Assistance policy',² the CFA franc continues its orig-

inal mission, namely that of serving the economic interests of France. This is not surprising: it was created for this purpose and has never undergone substantial changes since its birth. The two main beneficiaries continue to be the French state and multinationals, whose interests are closely linked.

As in the past, the CFA franc continues to offer France a privileged access to a wide range of agricultural, forest, mining and energy resources: the mechanism of the operations account, in fact, allows it to purchase these raw materials from the countries of the franc zone in its own currency. By way of comparison, let us take the example of a Japanese importer who purchases some Burkinabe cotton, a product whose price is set in dollars. In this case, the central bank of Japan does not pay in yen, but must find the dollars needed to settle this transaction. In the case of the French economy, on the other hand, it works quite differently: the Bank of France does not need to hold dollars when a French importer buys, for example, \$1 million worth of Burkinabe cotton. Instead, through a simple accounting statement, it merely credits the equivalent in euros of this sum of a million dollars to the BCEAO's operations account. This offers France a great privilege: to pay for its own imports from the franc zone in its own currency (first the franc, now the euro), without having to go through other currencies.

In this way, it manages to preserve its foreign reserves, as explained in Chapter 2. Even if its trade balance is deficient vis-à-vis the African countries of the franc zone, it can regulate this deficit in its own currency. Moreover, when the African countries of the franc zone register a trade surplus vis-à-vis the rest of the world, France has access to foreign currency at more economically advantageous conditions than it would otherwise face if it borrowed that same currency. In other words, when the operations accounts of the African countries are in credit, France obtains loans at preferential conditions compared to those prevailing on the financial markets. Thus, through the system of the operations account, the African countries grant France greater financial resources than it would have if it had to rely solely on its own means. Describing this mechanism, the economist Joseph Tchundjang Pouemi spoke of 'drainage by accounting'.³

Thanks to the CFA franc system, France remains one of the first bilateral lenders of the states of the zone, with all the benefits that this entails: on every loan it grants, it earns money and means of pressure against its debtors. France's positions as a privileged creditor in the franc zone is due to at least three reasons. First, the stability of the exchange rate offered by the fixed parity tends to encourage borrowing in the anchor currency: the

exchange rate risk against the euro is lower than that of other currencies. Second, as we shall see later, the CFA system pushes domestic credit down, forcing states to resort to foreign debt to finance their development. Finally, the political dimension of the CFA franc, which places the states of the franc zone under the tutelage of the French government, often forces them to turn to France in case of need.

Paris, for example, lent a lot of money to the Ivory Coast. Between 1970 and 2009, the total bilateral debt of the Ivory Coast 'has exceeded on average' its multilateral debt due to its 'special ties' with 'some Western countries, most notably France', the United Nations Economic Commission for Africa (ECA) noted in 2013.⁴ France is also the country that provided the largest funding to Cameroon between 1975 and 1998, granting the country 253 loans worth \$5,035 million, much more than Germany, the second bilateral lender (86 loans for a total of \$2,166 million), according to the ECA.⁵ These loans were mostly 'tied', meaning that they involved a counterpart: in exchange for the loans, Cameroon had to procure goods and services from France.⁶ As a result, France became Cameroon's largest creditor but also its main supplier. Some other data reported by the ECA: French loans have never been denominated in CFA francs, although the latter is 'the natural extension of the French currency in Cameroon', but rather in French francs (at the time) or in dollars. For this reason, the Cameroonian debt contracted with Paris – meaning the value of its outstanding debt – increased as a result of the 1994 devaluation.⁷ The scheme was broadly the same in other countries. Since the 2000s, however, the situation has changed, with China's entry into the continent. In exchange for raw materials, the Asian giant has granted many loans to the region's countries, to the point of becoming the first bilateral creditor of sub-Saharan Africa with, in 2015, 55 per cent of the region's total debt, far ahead of France (7 per cent).⁸ Overtaken in Cameroon and the Congo, France remains nonetheless in a good position in several countries of the franc zone, such as the Ivory Coast and Burkina Faso.⁹

Through its loans, France doesn't just make money: it also obtains important contracts for its businesses. A portion of the funds granted is in fact invested in projects that benefit the French multinationals operating in the continent. In 2017, for example, Bouygues, Keolis and Alstom were awarded a contract for the construction and management of a subway line in Abidjan, financed through a French loan of 1.4 billion euros granted to the Ivory Coast.¹⁰ Furthermore, the French authorities have developed

a tool that allows French big business to attain additional benefits from the loans granted to the African states. We're talking of the so-called debt reduction-development (C2D) contracts. This mechanism was created in 2001 following the decision by the donor countries to write off the debts of those heavily indebted poor countries (HIPC) that had fulfilled the conditions of the IMF and World Bank. Whereas the other donors effectively cancelled their bilateral debts contracted with the countries in question, France chose to convert them in a very peculiar way, as explained by the French Development Agency (*Agence française de développement*, AFD): 'Once a heavily indebted poor country signs a C2D with the AFD, the country continues to honor its debt until it is repaid and, at each maturity date, the AFD returns the corresponding sum to the country in the form of a donation, which is then used to finance programs to fight poverty.'¹¹ It is the AFD that controls the whole process, deciding which sectors to finance, whom to assign the contracts to, etc. According to the AFD's own data, the companies that obtain the contracts financed through this mechanism are almost exclusively French. In the case of the first C2D (€520 million), agreed with Cameroon in 2006, 88 per cent of the road projects were assigned to French entities, including a subsidiary of Vinci. Also in the context of the second C2D (€327 million), signed in 2011, the expertise and technical assistance for various agricultural projects was entirely French. The AFD explains this French predominance with the fact that the French groups have been operating for a long time in Cameroon and consequently have acquired a better know-how and supply of materials than their competitors. The French loans facilitated by the CFA system and the C2Ds therefore allow French companies to consolidate their positions and their historical monopolies, all at the expense of the development of local enterprises.

GUARANTEED (AND EASY TO REPATRIATE) PROFITS FOR FRENCH COMPANIES

In general, the franc zone remains a very profitable 'playing field' for French big business and, since the introduction of the euro, for European big business in general. The risk of depreciation between the CFA franc and the euro is zero thanks to the fixed exchange rate; as a result, these companies have nothing to fear when investing in this area. This advantage is far from negligible: the returns that they expect from their investments are not

likely to be compromised by changes in the euro/CFA franc exchange rate. Thanks to the free movement of capital, European companies also have the opportunity to repatriate to Europe without restrictions the profits accrued in the franc zone, and to rapidly divest when the economic situation turns sour. Bolloré, Bouygues, Orange, Compagnie Fruitière, Castel, Total and others groups benefit greatly from this precious option.

The franc zone also continues to offer to French industries markets where they are in the position of being preferred suppliers. This is because the African states have not been able to industrialise their economies and therefore to transform their raw materials in such a way as to satisfy their domestic markets. This is also explained by the fact that the CFA franc is pegged to the euro, the strong currency *par excellence*, which gives the upper-middle classes of the franc zone an 'international' purchasing power that allows them to purchase French and European goods. The pegging of the CFA franc to the euro therefore acts as a form of 'commercial preference' granted by the countries of the franc zone, creating a trade diversion to the advantage of France and the European Union. This is a vicious circle: the import of goods that could have been manufactured locally limits the development of local industries. It should be noted that the French groups often enjoy a monopolistic position in the franc zone that allows them to realise 'super profits', also thanks to low labour costs and generous tax exemptions. As a result, the survival of some of these groups depends essentially on their African activities. The continent represents 25 per cent of Bolloré's global turnover and 80 per cent of its global profits.¹² The provenance of the members of the board of directors of the French Council of Investors in Africa (*Conseil français des investisseurs en Afrique*, CIAN) gives a good indication of the multinationals for which Africa represents a crucial part of their activities: Bolloré, Somdiaa, Orange, EDF, Total, Société générale, Accor, BGI, Vinci, Air Liquide, Rougier, Compagnie Fruitière, etc.

In light of this, it goes without saying that the French business world has no interest in changing the CFA franc system. According to a senior official cited in 2010 by the weekly *Jeune Afrique*, at the French Ministry of Finance there exists 'a powerful lobby close to French investors in Africa (Bouygues, Total, Bolloré, CFAO...) for which the removal of this system would lead to a serious decline in earnings'.¹³

The French companies have further strengthened their ties with the CFA system since the early 2000s, that is, since they began to have to deal, in their own 'backyard', with rising competition from Chinese and Indian compa-

nies and with the growing dynamism of African countries like Morocco. Their market shares follow a very clear declining trajectory. Between 2000 and 2011, France saw its market share in Africa fall by 50 per cent, from 10.1 to 4.7 per cent, while that of China increased eight-fold between 1990 and 2011, going from 2 to 16 per cent. In 2013, China surpassed France in the franc zone as well, with a market share of 17.7 per cent compared to 17.2 per cent for France.¹⁴ In fact, France's commercial decline was particularly marked in the franc zone, especially in the Ivory Coast, Cameroon and Gabon. But this is not surprising given the relative protection enjoyed by France for a long time. Between 2005 and 2011, its market share also decreased by 18 per cent in the Ivory Coast, by 8 per cent in Gabon and by 6 per cent in Senegal.¹⁵ However, it is still a relative decline: the turnover of French companies, in fact, continues to increase in absolute terms. The portion of the cake decreases, but the size of the cake increases. Furthermore, France is still ahead of China in the Ivory Coast, with a market share of 14 per cent against 6 per cent for the Asian giant, in Senegal (17 per cent against 10 per cent) and in Gabon (33 per cent against 8 per cent).¹⁶

In the event of an unpegging of the CFA franc from the euro, the relative trade decline of France and the European Union in Africa would probably be even more pronounced. This explains the response of the French authorities, which have always used diplomacy to serve their country's economic interests. Immediately after being appointed, in 2012, the ministers Laurent Fabius (Foreign Affairs) and Pierre Moscovici (Economy and Finance), having 'understood the importance of the African markets in these times of crisis', according to *Lettre du continent*, put 'their administrations at the service of [French] commercial interests, with the explicit goal of remaking Africa as a new French El Dorado. Thus, in the name of "economic diplomacy", Fabius asked the ambassadors to act as veritable "commercial agents" for French business.¹⁷ As a result, French exports to the Ivory Coast increased by 10 per cent between 2016 and 2017. Ivory Coast was the second destination for French products in sub-Saharan Africa in 2017, behind South Africa.¹⁸ The mindset of the French authorities is well summarised in a Treasury document, which explained in 2014 that the franc zone represents 'an economic and commercial opportunity for France', that it 'is an important playing field for French businesses' and that 'France must take advantage of the close cultural and human ties that bind it to the franc zone in order to reap the maximum benefits from these growth drivers'.¹⁹ The Treasury also added that French exports to the countries of the franc

zone, 90 per cent of which are comprised of manufactured goods, 'represent about 20 per cent of total sales in Africa'. It also stated: 'Faced with competition from the large emerging countries, French companies remain well positioned thanks to their recognised know-how, their knowledge of the markets and the new support mechanisms for the private sector.'

A SMALL SHARE OF FOREIGN TRADE, BUT COMPOSED OF STRATEGIC PRODUCTS

French leaders often tend to minimise the contribution of the franc zone and therefore the benefits derived from maintaining the CFA franc for the French economy. 'France no longer needs Africa from an economic point of view', Nicolas Sarkozy said in May 2006 during a trip to Mali.²⁰ According to official data, the African share of French foreign trade is actually quite low. In 1970, 8.7 per cent of French exports were destined for Africa, compared to 5 per cent in 2010.²¹ The franc zone represents about 1 per cent of French foreign trade.²² But this data does not tell the whole truth. It doesn't say, for example, that its former colonies have often paid for their imports from France between 20 and 30 per cent more than world prices.²³ Conversely, the prices paid by France and its companies for the products of the franc zone are often lower than world prices. The same thing occurred during the colonial period: metropolitan France bought the products of the area under its control at prices that were on average half those of the world market.²⁴ Today we know that the royalties paid by the French group Orano (called Areva until January 2018) to the Nigerien government for the exploitation of the country's uranium continue to be very low, especially given that it is not required to compensate for the ecological and health problems caused by its activities. 'If Niger, in forty years, has not earned from its uranium exports more than it has earned from its onion exports, it is clear that there is a problem', China's Ambassador to Niamey observed in 2010.²⁵ Whenever Nigerien leaders have demanded an upward revision of the price paid by France, Paris has turned a deaf ear and hasn't hesitated to resort to coups or to the support of local militias.²⁶ All these 'commercial preferences' allow French companies to survive in a context of strong global competition. It is no coincidence that in Africa, and particularly in the franc zone, France has been registering a considerable trade surplus for some time. The franc zone plays the role of a 'relief valve' for the French economy.

There is also another aspect that is not immediately discernible from the data: most of the raw materials that France imports from the franc zone are

vital to its industries. Therefore, while its imports of uranium from Niger, one of its main suppliers, represent only 0.12 per cent of its total imports,²⁷ it is obvious that the country is highly dependent from this strategic product, given that Niger covers 30 per cent of France's civilian needs and 100 per cent of its military needs.²⁸ Without uranium, there would be no nuclear energy, which ensures nearly three-quarters of power generation in France, no energy self-sufficiency, no 'nuclear deterrence'. The same is true, *mutatis mutandis*, also for many other raw materials that are not present in rich countries but which are crucial for their industries. The maintenance of privileged Franco-African relations, and therefore of the CFA franc, allows France to defend its 'rank' in the frantic competition between 'great nations'. Hence the political scientist Horace Campbell is not exaggerating when he writes: 'Without Africa's wealth, France would be a minor power with the same influence as Austria.'²⁹

Although it is designed to serve French interests, the CFA system offers certain economic benefits to some African social groups as well. The pegging of the CFA franc to the euro, a strong currency, allows importers in African countries, for example, to buy products at an advantageous price that allows them to easily compete with local producers, which are often uncompetitive and poorly protected. Moreover, we have already noted how it provides the local middle and affluent classes with an artificially high international purchasing power that gives them the opportunity to access the same goods and services as their Western counterparts. Finally, the free movement of capital allows the wealthy elites of those countries to stash their legally gained or not fortunes abroad. Many of them keep their assets in Europe, which shows their lack of confidence in the CFA franc, in spite of everything. These capital inflows obviously benefit the European economies. As for the banks of the franc zone, be they French, Moroccan or 'pan-African': due to the oligopolistic structure of the sector, they are able to make super-profits that guarantee them profitability rates that are among the highest in the world.³⁰ In general, the CFA system benefits all the extroverted interests present in the franc zone, including those of countries like China and India, which for some years now have begun to challenge France in its 'backyard'.

PROFITS AND NO COSTS

As far as France and its companies are concerned, maintaining the CFA franc has the added benefit that it doesn't cost them anything. The French

state has rarely activated its convertibility guarantee and, on those few occasions that it has, the African countries have had to pay interest on it. This was the case between the early 1980s and early 1990s (since 1994 France has no longer had to grant any overdrafts to the central banks of the zone).³¹ An economist has calculated that the theoretical cost of the convertibility guarantee (that is, the sum that the French Treasury would have to pay if the foreign exchange reserves of the franc zone were to run out and France had to activate its famous guarantee) has steadily decreased over the years, to the point of becoming trivial. We are talking of a sum that, over the 1962–2005 period, oscillated between a minimum of 0.8 per cent and a maximum of 1.3 per cent of the French GDP.³² The reason the figure is so small is that the BCEAO and the BEAC, as demanded by France, have always kept their operations accounts well stocked, even overstocked, thus eliminating, *de facto*, the need for the guarantee. A further reason is the growing development gap between the French economy and the African economies of the franc zone: the poorer and more underfinanced the African countries remain, the lower the theoretical cost of the guarantee of convertibility is. The economist Bruno Tinel explained in 2016 that: ‘France is able to take on this burden [the “guarantee”] precisely because the economies of the CFA zones are very small compared to its own economy; in fact, the GDP of the WAEMU and CEMAC regions represented 7 per cent of France’s GDP in 2014, for a population two and a half times larger. If the economies of the two CFA sub-regions were to develop and grow too rapidly, France would be less capable of assuming this attitude of monetary paternalism towards them. In less controversial terms: this system is feasible as long as the economies of the CFA zone remain small in size in comparison to the French economy.’³³

As for the remuneration paid by the French Treasury to the central banks when their operations accounts are in credit, it’s laughable. For example, the interest rate applied between the 1960s and 1980s was that of the Bank of France, ‘that is, in principle, the lowest interest rate’, as Joseph Tchundjang Pouemi said in 1980. Meanwhile, the Bank of France invested in financial markets at much higher interest rates, ‘between 4 and 5 per cent’. The inflation rate in France at the time was around 8 per cent, ‘thus much higher than the interest rate paid on the “operations account”’; this means that, as unbelievable as it may seem, the African states have paid the French Treasury to store their “foreign reserves”, i.e. francs’, the Cameroonian economist noted.³⁴ The changeover to the euro has led to a variation in the calculation

of the remuneration that the French state must pay to the central banks: it is now established on the basis of two key ECB rates. The first one, the main refinancing rate,³⁵ is applied to the foreign exchange reserves placed in the levelling account, which we discussed in Chapter 2. The second one, the marginal lending facility rate, is applied to the mandatory share of the reserves in the operations accounts (50 per cent for the BCEAO and 50 per cent, with a tolerance of 40 per cent since 2014, for the BEAC). These two rates were lowered by the ECB following the global financial and economic crisis of 2007–08 in order to stimulate economic activity in the euro area: the marginal lending facility rate, which was 5.25 per cent in July 2008, declined gradually to 0.25 per cent in March 2016 and has remained unchanged ever since. For the African countries of the franc zone, this decline has had very concrete repercussions: between 2010 and 2013, they received negative real interest from the French Treasury, since the ECB's marginal lending rate, during the same period, was lower than the rate of inflation of the euro area. This means that they lost money and that, just like in the past, they 'have paid the French Treasury to store their foreign reserves', as Pouemi noted. Undoubtedly this is one of the reasons that led to the revision, in 2014, of the agreement related to the BCEAO's operations account. Since then, the assets on its operations account are remunerated on the basis of a minimum rate of 0.75 per cent, even when the ECB's marginal lending rate falls below this threshold. However, real interest rates have remained low, standing at 0.25 per cent in 2014, 0.75 per cent in 2015, 0.45 per cent in 2016 and -0.95 per cent in 2017.³⁶

The data clearly shows that the net remuneration paid by the French state to the African central banks has never exceeded 0.4 per cent of its tax revenues.³⁷ Clearly this money does not represent a 'loss' for the French Treasury, since the latter had access to the foreign reserves of the central banks, which it was free to use for its financing needs. The interest that a borrower pays on his loan is not a 'loss' for him/her. Moreover, when the economic situation allows it, the Bank of France can place the African reserves on the markets at higher interest rates than those offered to the BCEAO and BEAC – and pocket the difference.³⁸

Since the system is little known and not very transparent, the issue of the assets deposited in the operations accounts often leads to speculation. According to some, France disproportionately enriches itself at the expense of the African countries thanks to the financial benefits it supposedly derives from these activities. On this point we must be clear: the sums

in question are not as relevant as they are often claimed to be. At the end of 2016, the value of the assets in the operations accounts was just under €4.9 billion for the BCEAO³⁹ and almost €1.8 billion for the BEAC,⁴⁰ compared with French foreign exchange reserves estimated at €151 billion at the end of February 2018. It should also be noted that these assets belong to the African countries. It is not 'lost' money or money that has been 'confiscated' by France, since these foreign exchange reserves already have their 'counterpart' in the money supply and central banks can use them whenever they need them.

However, it would also be a mistake to think that the sums available on the operations accounts are trivial, just as it would make no sense to say, for example, that the economic contribution of the automotive sector in France is 'trivial'. In the mid-1960s, the assets in the operations accounts were equivalent to the French automotive industry's exports.⁴¹ In 2016, the French agricultural and agri-food sectors had a trade balance of €5.9 billion⁴² – less than the balance of the operations accounts (equal to €6.7 billion), which, incidentally, amounts to more than double the Official Development Assistance granted by France to sub-Saharan Africa.⁴³ Moreover, the positive balance of the operations accounts helps to cover France's budget deficits and to pay off its public debt. Finally, in addition to constituting a safety net for France in the event of an economic crisis, Africa's reserves also strengthen Paris's role as a financial centre.⁴⁴

'A SINGLE OFFICIAL IN FRANCE CAN BLOCK AN ENTIRE COUNTRY'

The French state doesn't only benefit financially and economically from the CFA system, but politically as well. The raw materials that it imports at low cost, such as uranium and oil, are what allow it to maintain its status as a 'great power'. In particular, the CFA franc provides Paris with a series of instruments of pressure, repression and control that allow it, if necessary, to go beyond the economic sphere and orient the political trajectory of the 15 African states of the franc zone.

The recent history of the Ivory Coast provides a particularly striking example. The episode in question began after the second round of the 2010 presidential elections, which had led to an unprecedented situation. *De facto*, the country found itself with two presidents: Laurent Gbagbo, the outgoing president, had been recognised as the legitimate winner of the elections

by the Ivorian Constitutional Council and had therefore stayed in power; Alassane Ouattara was considered the winner by the 'international community' but ruled only the Abidjan hotel in which he had settled. Wanting to see Ouattara in power, the then French president Nicolas Sarkozy, his friend and main supporter, immediately resorted to various devices and in particular to the CFA apparatus to put pressure on Gbagbo. The idea of the French authorities was to paralyse the Ivorian administration to push Gbagbo to resign. The objective was realised in stages. To begin with, the French government cajoled the BCEAO, of which Ouattara had been governor between 1988 and 1990, into preventing the Ivorian government from accessing its accounts at the BCEAO and closing down the Ivorian branches of the BCEAO. However, the government managed to reopen them through a measure of staff requisition; at that point, the BCEAO activated software to block their operations. The bank's administrators also forced its governor, Philippe-Henri Dacoury-Tabley, to resign, accusing him of being too complacent with the Ivorian authorities. Then, in February 2011, faced with Gbagbo's refusal to give in to international pressure, the French Ministry of the Economy and Finance asked the French banks operating in the country – BICICI, a branch of BNP Paribas, and SGBCI, a branch of Société Générale – to cease their activities in the country. At the same time, the BCEAO threatened to sanction other banks if they insisted in cooperating with the government of Laurent Gbagbo.⁴⁵

Since it wasn't possible to order non-French financial institutions to cease their activities in the country, France moved to the next stage. It mobilised its invisible weapon: the operations account. With the assistance of the BCEAO, the French Ministry of Finance suspended the country's payment and exchange operations: effectively, all commercial and financial transactions between the Ivory Coast and the rest of the world were blocked. The Ivorian companies found themselves unable to export or import. This sabotage also prevented the Ivorian diplomatic representations from receiving their budgetary allocations. In this way, the French authorities demonstrated that the operations account could become a formidable instrument of repression: through it, France was able to organise a frighteningly effective financial embargo. As Justin Koné Katinan, Laurent Gbagbo's budget minister at the time, would later say: 'I witnessed the reality of *Françafrique* with my own eyes. I saw how our financial systems continue to be totally under France's dominion, [and operated] in the exclusive interest of France. I saw how a single official in France can block an entire country.'⁴⁶

HARD POWER

The French guarantee of convertibility of the CFA and Comorian francs 'establishes, like it or not, a special relationship with France', said the former French finance minister and former head of the IMF Dominique Strauss-Kahn in a report on the franc zone published in April 2018.⁴⁷ The franc zone is 'an instrument of influence that empowers the French state. It is a form of "soft power" that guarantees us a special relationship with Africa', said the economist Samuel Guérineau.⁴⁸ What happened in the Ivory Coast in 2010 and 2011, however, shows that we are well beyond mere 'soft power'. The CFA system remains a device that conditions all relations between the countries of the franc zone and France. It is the keystone of the 'Françafrique', the weapon through which it is perpetuated economically and politically and which allows it to keep African countries in a relationship of dependence and their leaders in a position of 'subordination' towards France. How could they refuse the favours requested by their French counterparts? The forms of pressure used by France to bend its African 'partners' are incalculable. It is sufficient to mention the case of the Areva group, which in 2009 obtained, at the expense of a Chinese company, the contract for the exploitation of the uranium mine at Imouraren, in Niger, following a brief visit by the French president Nicolas Sarkozy to his Nigerien counterpart, Mamadou Tandja, during which 'he assured the Nigerien president of France's neutrality in the ongoing political process' in the country, according to the researcher Emmanuel Grégoire.⁴⁹

Of course, the CFA franc may be used as a blackmail tool by the African heads of state as well, as Idriss Déby did in 2015 and as Jean-Bedel Bokassa had done before him. But this happens very rarely. Some analysts, such as the economist Kako Nubukpo, believe that local leaders exhibit a form of 'voluntary servitude' in accepting the rules of the game imposed by France.⁵⁰ Now, it's true that the African governments put up little opposition, but this is perfectly logical: Paris continues to work hard to ensure that those who hold the power in the states of the franc zone toe the party line. African leaders know that as long as they continue to facilitate the operations of the French state and its companies in their respective territories and to align themselves with the diplomatic positions of the French Ministry of Foreign Affairs, they will enjoy the 'tutelage' of the former colonial power, including against their citizens and opponents. For them, not challenging the CFA franc thus represents the promise of a 'peaceful' and sometimes 'lasting'

presidency, as can be seen in most of the CEMAC's oil-rich countries. The presidents Omar Bongo (Gabon), Paul Biya (Cameroon) and Denis Sassou Nguesso (Congo) had accumulated a total of 110 years in power in 2018, and the story is not over: Bongo's son has been in power since his father's death in 2009, while the other two seem intent on prolonging their presidency for a few more years. Under these conditions, it's obvious that they have no incentive to improve the fate of their fellow citizens, since they know that they will remain in power anyway, with or without their consent. Since Paris is responsible for the monetary and exchange rate policies of the countries of the franc zone, the local leaders have no work to do in this area. Aware of France's interest in maintaining the CFA system, they know that the former metropole will always be there to extinguish the flames in case of fire. Paris, of course, encourages this Franco-African 'culture of irresponsibility', which is opposed to any institutionalisation of practices of democratic accountability. Instead of talking about 'voluntary servitude', perhaps it would be more apt to talk of 'sweet alienation', to use the satirical formula coined by the Burkinabe historian Joseph Ki-Zerbo.⁵¹

As long as France continues to refuse to reform or dismantle the system, the room for manoeuvre of local heads of state, even if good-intentioned, will remain extremely limited. Even more so if we consider that the French 'soft' monetary power is inseparable from its 'hard' military power. France has been careful not to give up this other element of the 'colonial pact'. Between 1960 and 1991, it was, after Cuba, the country that deployed the largest number of soldiers in Africa. During this period, while Havana supported African national liberation movements, Paris carried out nearly 40 military interventions in 16 countries to defend its interests.⁵² France still has permanent military bases or 'support points' in Senegal, the Ivory Coast, Chad, Gabon, Burkina Faso, Mali and Niger. Moreover, it trains and advises a portion of the military cadres of the armies of the countries of the franc zone. This offers France the latitude to use force against any recalcitrant 'partner' or in defence of its allies. 'France acts in Africa on its own, in the exercise of its responsibilities', the French president Valéry Giscard d'Estaing said in 1978 concerning a French military operation in Zaïre (the present-day Democratic Republic of Congo, DRC). 'Africa is a continent from which many of our resources and raw materials traditionally come. [...] A change in the situation in Africa, a general situation of insecurity or subversion in Africa would have consequences for France and for Europe.'⁵³ Almost 40 years after this statement, the Ivory Coast, the largest

producer of cocoa and one of the indispensable pillars of the franc zone, paid the price of this policy. When the monetary weapon failed to bring down Gbagbo 'like a rotten fruit', in the words of Alassane Ouattara, in April 2011, France chose to resort to force.⁵⁴ It did so while the Ivorian administration began to take steps to create its own national currency and bring the Ivory Coast out of the franc zone, the only way to get around the BCEAO's financial embargo (the central bank continued to refuse to supply banknotes to its Ivorian agencies). In 2018, a senior Ivorian officer in office at that time explained the measures taken to address what he called the 'boa constrictor of the French government'. 'The cuts, the physical appearance of our currency had been completed', he says. 'We had decided to maintain the same nominal value as the CFA franc in order not to destabilise the population too much. The notes and coins would have been produced by a foreign country. We were negotiating with a friendly African country, who had agreed in principle to manage our foreign currency account until our central bank was operational. We were at an advanced stage in our new policy of monetary cooperation when France, certainly aware that it risked losing the Ivory Coast, launched its final assault. Just as we were on the verge of beating it on its own ground, France, to avoid a defeat, resorted to the one thing that it had in greater quantity than us: weapons.'⁵⁵

After bombing the military barracks, the presidential palace and the official residence of the Ivorian head of state for several days, the soldiers stationed at the French military base in Abidjan, on 11 April 2011 launched a large-scale attack against the Ivorian army. The operation ended on the same day with the arrest of Laurent Gbagbo.⁵⁶

A 'POLICY OF INFLUENCE'

The French political control over the franc zone is openly acknowledged by everyone, including the supporters of the CFA franc, even though the latter tend to sugar-coat the issue. In a report entitled *L'Afrique est notre avenir* ('Africa is our future'), published in 2013, the French Senate underlined how the franc zone, where 'hundreds of [French] technical assistants and consultants work for the presidency of certain states', continues 'to contribute to France's influence'.⁵⁷ The Montaigne Institute, a French conservative think tank, explained in a document published in 2017, entitled *Prêts pour l'Afrique aujourd'hui* ('Ready for Africa today?'), that 'political considerations' and 'political influence' continue to characterise France's

relation to the CFA franc. This is self-evident: the colonial relic that is the franc zone offers France a privileged role on the international diplomatic scene. It legitimates its status as a permanent member of the UN Security Council. At the UN headquarters in New York, the former colonies are still considered to be France's preserve: France is *de facto* the dominant voice on the issues that concern them. 'With regard to the discussions on the Ivorian question within the Security Council, for example, France is the so-called penholder, that is, the country responsible for drafting the resolutions and more generally for setting the rhythm of the debates concerning the Ivory Coast', says an African official of the international organisation.⁵⁸ This African 'courtyard' also offers France a reservoir of votes that allows it to steer the decisions and action of the United Nations. And in case anyone should forget who's in charge in that part of the world, every six months France organises a meeting with the finance ministers of the franc zone, which serves, among other things, to remind the other powers who controls that area.⁵⁹ 'Africa is an opportunity for France. It expands our horizon and our ambition at the international level', said the French Foreign Minister Dominique de Villepin at the French National Assembly on 18 June 2003, without specifying that all this was done at the expense of the African states and their peoples.

Robberies and scams at the BEAC and BCEAO

Several scandals involving the BEAC and the BCEAO have shown that the CFA system, which is generally very strict and repressive, can also be very lax when it comes protecting France and its allies. One of these cases involved the highest authorities of the BEAC and Société Générale in 2008: in the midst of the international financial crisis, the BEAC's governor, Philibert Andzembé, a Gabonese national, invested €500 million in a high-risk financial product of Société Générale. He did so in violation of the bank's regulations and unbeknownst to his board of directors. The operation proved to be disastrous: the BEAC lost 16.4 billion CFA francs, or €25 million. Société Générale, which had initially been recruited to advise the BEAC on investment matters, had to participate in the loss, under pressure from the CEMAC heads of state. At the same time, an investigation revealed that around €30 million had been transferred, between 2004 and 2008, to an external office of the BEAC based in Paris. These misappropriations had been made possible by a control system 'well below international standards', according to an internal bank report.⁶⁰ The affair involved the institute's



top executives, including Andzembé himself, who was fired in early 2010, before the end of his term. According to a senior BEAC executive at the US embassy in Yaoundé, such misappropriations, which had probably been going on for 30 years, didn't just benefit the employees of the BEAC: some of the money ended up in the pockets of senior Gabonese politicians, including president Omar Bongo and his son, Ali Bongo, as well as those of some French political parties. According to some American diplomatic cables brought to light by WikiLeaks, part of the money, at the request of Omar Bongo, 'was given to some French political parties, "mostly on the right", in particular to Jacques Chirac and Nicolas Sarkozy'.⁶¹ In 2011, the BEAC expressed regret that 'no significant action has been taken' in Paris regarding these revelations.⁶² According to a US diplomatic cable sent from Paris, the deputy director for Central Africa at the Ministry of Foreign Affairs, Stéphane Gruenberg, had nevertheless predicted that the case would lead 'to a series of indictments (no doubt also concerning French citizens)'.⁶³

In this regard, it is impossible not to mention the spectacular robberies carried out at the beginning of the 2000s against various BCEAO agencies in the Ivory Coast. The first one took place in August 2002 against the Abidjan branch. The second one took place in September 2003 against the Bouaké agency (in the centre of the country), and lasted several days, causing the death of at least 23 people. In all likelihood, these 'heists' were organised by the armed rebellions of the New Forces, led by Guillaume Soro.⁶⁴ Since 19 September 2002, the day of the attempted coup against president Laurent Gbagbo, they controlled 60 per cent of the Ivorian territory. The rebels had an operating base in Blaise Compaoré's Burkina Faso and had established their headquarters in Bouaké, the second largest city of the Ivory Coast. It is estimated that in the attack on the Bouaké agency they managed to walk away with around 20 billion CFA francs, over €30 million. The French soldiers, who were supposed to protect the agency, seized upon the opportunity to pocket 38 million CFA francs (about €57,000). A portion of the money stolen by the rebels was then recycled in neighbouring Burkina Faso and Senegal, two 'friendly' countries of the New Forces and of France.⁶⁵ In August 2004, the BCEAO branch in Korhogo (in the north of the country) was also looted. In September 2004, twelve French soldiers illegally emptied the coffers of the BCEAO agency in Man (in the west of the country, in rebel territory) that they were supposed to guard. They were repatriated to France with discretion. In 2005 they received sentences ranging from two months to one year for theft and stolen goods, for a total of €337,000. These various armed attacks never went to trial in the Ivory Coast or in Senegal, where the BCEAO headquarters are located.⁶⁶

6

An Obstacle to Development

If, on the one hand, the benefits that the franc zone brings to France tend to be underestimated, on the other hand, the benefits for African countries are often exaggerated. According to its supporters, the CFA franc has favoured the economic development of its member states, facilitating their ‘regional economic integration’ and creating a ‘macroeconomic stability’ that increases its attractiveness. This is what the Bank of France said in 2015: ‘For over forty years, the franc zone has been an instrument of solidarity and development aimed at consolidating growth, reducing poverty and deepening regional integration.’¹ In this chapter, we will dispel these myths, and show how the CFA system actually inflicts four major handicaps to the countries that are part of it: an excessively rigid exchange rate regime; a problematic pegging to the euro; the underfinancing of the African economies; and a free movement of capital that generates a massive financial bleed-out.

SOME MYTHS TO DEBUNK

The Myth of the CFA as a Factor of Development

The first widespread myth is that the CFA franc is a useful tool for the development of the countries that use it. ‘The last fifty years have shown that the franc zone is a favourable factor for development’, Christian Noyer, the governor of the Bank of France, said in 2012.² The recent performance of a country like the Ivory Coast, which recorded an average annual growth rate of real GDP per capita of 6.4 per cent between 2011 and 2016, might appear to confirm this. However, in the same period, several countries in the franc zone, including Equatorial Guinea (–6.8 per cent), the Central African Republic (–6.6 per cent) and Chad (–0.2 per cent), enjoyed much weaker performances.³

To gain an accurate picture of the situation, capable of going beyond the mere cyclical data, it is necessary to look at the long-term evolution of the

average annual growth rate of real GDP per capita. From this point of view, the performance of the countries of the franc zone since their independence, or, depending on the case, since their entry into the franc zone, is very disappointing. When a country registers an average annual growth of 1 per cent of its real GDP per capita, it means that the latter doubles every 70 years. However, over the 1960–2016 period, the major economies of the zone – the Ivory Coast (0.45 per cent), Cameroon (0.8 per cent) and Senegal (0.02 per cent) – did even worse. Only five of the 15 African countries of the zone achieved a growth rate of over 1 per cent: Mali (2 per cent between 1984 and 2016), Burkina Faso (1.84 per cent) and three oil-exporting countries, Equatorial Guinea (10.3 per cent between 1985 and 2016), Gabon (1.41 per cent) and Congo (1.21 per cent).

An analysis of the long-term statistics thus shows that, while the Ivory Coast has achieved noteworthy results in recent years, its real GDP per capita – or ‘average income’, for simplicity’s sake – in 2016 was more than a third lower than that recorded at the end of the 1970s. The same is true of Senegal, which has also achieved good results in recent years: its current average income is equal to that of 1960. These two states, therefore, are not ‘catching up’ with the other so-called emerging countries, but rather they are slowly recovering their previous levels of economic activity. More generally, ten states of the franc zone recorded their highest levels of average income before the 2000s. In Gabon, for example, the highest average income was recorded in 1976: just under \$20,000. Forty years later, it has shrunk by half. In the last 40 years, the average purchasing power has deteriorated almost everywhere. Guinea-Bissau is a significant case. It joined the WAEMU in 1997, the year in which it recorded the peak in its average income. Nineteen years later, its average income has fallen by 20 per cent.

Despite the limitations of GDP measurement in Africa,⁴ an analysis of the health and education indicators supports the conclusion that socio-economic progress in the franc zone has been very limited: twelve of the 15 African states of the franc zone are classified as ‘Low Human Development’ countries, the last category in the Human Development Index (HDI) developed by the United Nations Development Program, which is based on gross national income per capita, life expectancy at birth and level of education. In 2015, the last four places in the HDI ranking went to Burkina Faso (185), Chad (186), Niger (187) and the Central African Republic (188), all of which are part of the franc zone.⁵

Furthermore, ten states of the franc zone are part of what the United Nations calls the 'Least Developed Countries' (LDCs), that is, countries whose population is below 75 million inhabitants, which have a low gross national income per capita, a low level of human development and a high economic vulnerability. In all, 47 countries are classified as LDCs, of which 33 are located in sub-Saharan Africa. Within the franc zone, Benin, Burkina Faso, Mali, Niger and Chad have belonged to the list since 1971, when the category was created. They were subsequently joined by the Central African Republic (1975), the Comoros (1977), Guinea-Bissau (1981), Togo (1982) and Equatorial Guinea (1982). Senegal joined the group in 2000.⁶ The fact that all these countries are still classified as LDCs shows that there has been no economic development worthy of the name. Equatorial Guinea is no longer classified as an LDC since 2017, but only because of its high per capita income.⁷ It's no surprise that some authors have dubbed the CFA franc the 'LDC currency'.⁸

Obviously, the CFA franc is not the only cause of these countries' underdevelopment and other African countries have not necessarily 'fared better'. But the claim that the CFA franc has 'promoted' growth and development in the area is patently false.

The Myth of 'Integration'

Let us now turn to another idea often put forward by the defenders of the CFA franc: that the latter has helped 'deepen regional integration'. That is, that it has helped the African countries of the franc zone come together and form an economic area where trade is unimpeded and constantly growing.

The foreign trade of African countries has certainly changed a lot over the years: between 1960 and 2000 they traded mostly with Europe, and less and less with France compared to other European countries, while from 2000 onwards they have gradually reoriented their trade towards China and the African continent. But this has not changed the model of vertical economic integration inherited from the colonial era. More than 70 years after the introduction of the CFA franc, the African countries remain largely producers of unprocessed raw materials and trade more with Europe than with each other. The franc zone remains a 'primary association', that is, an area that unites 'a series of underdeveloped countries around a single economically developed country', according to an old terminology of the 1960s.⁹

In the first two decades following independence, several countries began to industrialise, but for various reasons it didn't last and whatever achievements had been made were wiped out by the structural adjustment programmes of the 1980s and 1990s. This is one of the reasons why the countries of the franc zone, which are characterised by competing rather than complementary productions, are today more integrated with France and with Europe. Available statistics, though limited,¹⁰ show that trade between the African countries of the franc zone is rather low, accounting for less than 10 per cent of the member states' total trade.¹¹ In the CEMAC, intra-regional trade represented less than 4 per cent of total trade in 2016.¹² That same year, the trade of the WAEMU countries with the European Union (32.8 per cent) was more than double that of the trade between each other (15.2 per cent).¹³ Trade integration is more advanced within the WAEMU because its members have a more diversified production structure than those of CEMAC, all of which are oil producers except for the Central African Republic.

Furthermore, it should be noted that France has always promoted in West Africa – through the WAMU in the 1960s, the CEAO (*Communauté économique de l'Afrique de l'Ouest*, Economic Community of West Africa) in the 1970s and the WAEMU since the 1990s – a type of regional integration that strengthens its hold on its former colonies. France promoted the birth of the CEAO in 1973 with the aim of countering Nigeria's ambitions to lead the process of regional integration through the Economic Community of West African States (ECOWAS), an institution created in 1975 with headquarters in Abuja and comprising 15 countries. In 1994, Nigerian officials believed for a moment that the devaluation of the CFA franc was a signal that France was cutting Africa loose to focus on European integration. But faced with the creation of the WAEMU, which they saw as a further brake on the push towards regional integration, they had to rapidly reconsider.¹⁴ As an 'African' regional power, France is often present at major political meetings on the continent. For example, it was the only non-African guest to be invited to a conference of African finance ministers held in 2014 in Abuja under the auspices of the African Union. 'Two great powers coexist within the ECOWAS: Nigeria and France': this was the saying in Nigerian intellectual circles, according to the economist Sanou Mbaye.¹⁵ This has meant that for 40 years, the WAEMU countries have been torn between their commitments to France and those undertaken in the context of the ECOWAS,¹⁶ between a neocolonial form of integration and

integration into a regional framework that aspires to overcome the divisions inherited from colonialism.

The Myth of the Attractiveness of the Franc Area

According to the supporters of the CFA franc, the franc zone offers a context of 'macroeconomic stability' characterised by a fixed exchange rate, low inflation and relative budgetary discipline. This is said to favour the inflow of foreign investment. This statement, however, is a myth, just like the others. The statistics of the United Nations Conference on Trade and Development (UNCTAD) on foreign direct investment (FDI) prove this. They show that FDI in Africa is captured by the countries with the highest GDP and the highest amount of hydrocarbons and mineral resources. In 2016, South Africa, Egypt, Nigeria, Morocco and Angola received over 50 per cent of the FDI stock absorbed by Africa. The CEMAC accounted for only 7.1 per cent of this stock in 2016, while then WAEMU's share was a meagre 3 per cent. Only three countries of the franc zone were among the top 20 in Africa: Congo (10th), Equatorial Guinea (17th) and the Ivory Coast (20th). Ghana, whose currency, the cedi, is considered less stable than the CFA franc, nevertheless records a stock of inward FDI higher than that of all the WAEMU countries combined. Even more surprising is the fact that, in terms of stock of inward FDI, Congo is the only country in the franc zone to be more 'attractive' than the Democratic Republic of the Congo. All this shows that foreign investors are motivated by considerations other than those proclaimed by the enthusiasts of the CFA franc. Ironically, the franc zone is not even the first destination of French FDI in Africa. In 2012, these stood at just under \$58 billion (3.7 per cent of the total French FDI stock in the world), of which 60 per cent went to four countries that are not part of the franc zone: Morocco, Angola, Nigeria and Egypt.

It should be noted that, since independence, the franc zone has not attracted any large African country. Its track record, in terms of attractiveness, is limited to the reintegration of Mali (1984) and the recruitment of a former Spanish colony, Equatorial Guinea (1985), and of a former Portuguese colony, Guinea-Bissau (1997).

No real development, no significant economic integration, no surplus of FDI compared to other African countries: it should be clear by now that the arguments brought forth in defence of the CFA franc rarely have any empirical consistency.

FOUR IMPORTANT HANDICAPS

If the socioeconomic performance of the countries of the franc zone leaves much to be desired, it is largely due to four handicaps imposed by the CFA system: an excessively rigid exchange rate regime, a problematic pegging to the euro, the underfinancing of the African economies and a free movement of capital that generates a massive financial bleed-out.

An Excessively Rigid Exchange Rate Regime

The CFA franc's exchange rate regime is the first handicap. According to the economist Jeffrey Frankel 'no single currency regime is right for all countries or at all times'.¹⁷ The inflexibility of the CFA franc – its famous 'stability' – is undoubtedly the most eloquent illustration of this simple truth. Since 1948, its parity with respect to its anchor currencies (first the French franc, today the euro) has been changed only once, during the 1994 devaluation. This classifies the CFA franc as a 'truly fixed' exchange rate regime, in the words of Jeffrey Frankel, that is, a very restrictive exchange rate regime in which the parity vis-à-vis the anchor currency is, in fact, fixed and not adjustable.

According to its supporters, a fixed exchange rate regime allows a country to import 'credibility' and thus to effectively fight inflation (a continuous increase in prices) and boost its trade. There is some truth in this. But the economic costs of such a system are often neglected. It is widely accepted that a fixed exchange rate regime tends to determine a low level of inflation. Conversely, a flexible exchange rate regime causes a bit more inflation, but promotes a greater stability in terms of economic activity: it has a cushioning function that makes it possible to react to shocks and significantly reduce the volatility of (changes in) production and employment, something which a fixed exchange rate doesn't allow for.¹⁸ If a country wants to give priority to the stability of production and employment, then it has to adopt a flexible exchange rate regime. If, on the other hand, it chooses to favour a balance of payments equilibrium, or external balance, then a fixed exchange rate can help. The tragedy is that the countries of the franc zone not only give priority to the external balance over every other consideration, but they think that this goal consists solely in maintaining the fixed parity at all costs. The central banks of the CFA system, for example, do not seem interested in improving the price competitiveness of their member states' economies. As a result, in the WAEMU area, all countries with the

exception of the Ivory Coast have experienced a chronic trade deficit since their independence.

IMF data seems to suggest that a fixed exchange rate is not necessarily a good option for African countries: since 2000, sub-Saharan African countries operating in a fixed exchange rate regime have experienced an economic growth 1 to 2 percentage points lower than countries with a flexible exchange rate. This gap is due in particular to the 'weaker growth among the CFA France zone countries', states the IMF.¹⁹

It should also be noted that the WAEMU and the CEMAC are the only monetary unions in the world that include countries that are formally sovereign and whose exchange rate is pegged to another monetary union. One might be tempted to make a parallel with the Eastern Caribbean Monetary Union, as the East Caribbean dollar is pegged to the US dollar. But there is an important difference with respect to the CFA system: the United States does not officially intervene in the monetary management of this union, comprising small island countries that are relatively open to the outside world.²⁰ The fact that the WAEMU and the CEMAC, two monetary unions made up mainly of poor countries, are subject to the control of another monetary union, the eurozone, which brings together rich countries with totally different priorities and needs, is not without consequences. 'If a small country unilaterally fixes its currency to a larger neighbor, it in effect transfers policy sovereignty to that larger neighbor', said the Nobel prize in economics winner Robert Mundell. 'The fixing country loses sovereignty because it no longer controls its own monetary destiny; the larger country gains sovereignty because it manages a larger currency area and gains more "clout" in the international monetary system.'²¹ In the case of the franc zone, this means that some of the poorest countries in the world, such as Niger and the Central African Republic, for years have had to endure monetary policies tailored to suit the cyclical developments in very rich economies, first France and now the eurozone. It also means that the 15 member states of the franc zone taken individually do not have the possibility of using the exchange rate to cushion external shocks. And this in a continent where shocks – be they political (coups d'état, wars, social tensions, etc.), climatic (rainfall variations, droughts, floods, etc.) or economic (the volatility of the prices of primary products, of the interest rates on the foreign debt, of capital flows, etc.) – are commonplace. To deal with adverse shocks, therefore, the countries of the franc zone have only one option, in the absence of budgetary transfers: 'internal devaluation', also known as austerity, that

is, an adjustment of internal prices that is obtained through the reduction of labour income and public spending, tax increases and ultimately the decline in economic activity.²²

A Problematic Pegging

Even assuming that the choice of the fixed exchange rate is justified in the case of the monetary unions of the franc zone, the pegging of the CFA franc to the euro is problematic in and of itself, for a number of reasons: this is the second handicap of the franc zone.

Firstly, there is the question of the effects of the changes in the external value of the euro. An appreciation of the euro – that is, an increase in its external value – entails, for the countries of the franc zone, a reduction in the price competitiveness of their manufactured goods and of the equivalent in CFA francs of their export proceeds in dollars. At the same time, it makes their imports cheaper and reduces the weight of their debt in dollars. As a result, it hinders exports and favours imports, which contributes to a deterioration of the trade balance. Since its creation, the euro has often appreciated against the dollar, simultaneously causing an appreciation of CFA francs against the dollar: between October 2000 and mid-July 2008, the euro has cumulatively appreciated by almost 94 per cent against the dollar, according to ECB data.

To fully understand the problems posed by the pegging of the CFA franc to the euro, it is instructive to look at the European and French debate on the euro. French politicians and entrepreneurs have been criticising the excessive value of the euro for almost 20 years. In 2006, Nicolas Sarkozy, who at the time was running for president, denounced the 'strong euro': 'The overvaluation of the euro against the dollar is a serious economic mistake. [...] If we continue like this we will no longer be able to produce a single Airbus in Europe because the dollar will be so cheap that we will have them manufactured in the United States,' he said. 'There is not a single country in the world where money is not an instrument of economic policy for growth and employment.'²³ In an interview dating March 2008, even the president of the Airbus group, Louis Gallois, questioned the ECB's monetary policy: 'The euro at its current level is smothering much of the European industry, reducing its export margins.'²⁴ In 2011, during a visit to the Airbus headquarters, Sarkozy, now president, estimated that at \$1.30 the value of the euro was still 'too high'.²⁵ An opinion shared by his successor at the Élysée,

François Hollande. In February 2013, the latter encouraged his European counterparts to consider ‘in the medium term a level of [...] exchange that is more realistic, more compatible with the state of the real economy’.²⁶ Hollande was echoing the complaints of the French business community, who, through Geoffroy Roux de Bézieux, the then vice-president of the Mouvement des Entreprises de France (MEDEF), the federation of French industrialists, had declared that ‘one can be pro-European and at the same time claim that an excessively strong euro is a handicap for exports’.²⁷

Are these criticisms legitimate? A Deutsche Bank study dating back to 2014 set the threshold beyond which things start to get complicated for the French economy at \$1.24 for a euro. For Italy, this ‘pain threshold’ went down to \$1.17 for a euro. While the German economy, apparently, could bear an exchange rate of up to \$1.79 for a euro.²⁸ In 2017, the IMF estimated that the euro was undervalued by 11–16 per cent in the case of Germany and overvalued by 8–14 per cent in the case of France.²⁹ All this is summarised in the Louis Gallois report: ‘Simply put, the strong euro strengthens the strong [countries] and weakens the weak [countries]’.³⁰ In any case, French producers argue that unlike their German counterparts, which produce ‘high-end’ products, they are ‘exposed to price competition’³¹ because they operate in ‘mid-range’ segments. The appreciation of the euro therefore forces French companies to reduce their margins: according to one estimate, a ten cent increase in the exchange rate would reduce the operating profit of the CAC 40 companies by 7 per cent.³²

If the euro is a currency that suffocates France, then what about its effect on the African countries of the franc zone? If even Airbus, which produces sophisticated products and has only one real competitor, Boeing, complains about the high cost of the euro, it goes without saying that small and medium-sized African companies have no chance of surviving in the most competitive sectors of the global market, such as the textile industry, where they act as subcontractors. Even more dramatic for the African countries that use the CFA franc is a scenario in which an increase in the euro is accompanied by a reduction in the prices of primary products. This scenario is a threat hanging over many economic sectors.

For example, cotton, one of the main exports of several West African countries, including Burkina Faso, Mali and Benin, was a victim of this.³³ In Burkina Faso, while cotton production had increased six-fold between 1994 and 2006, the sharp appreciation of the euro between 2004 and 2007, in a context of falling prices, was catastrophic. With a parity of \$1.2 for a euro,

the trading companies and farmers of Burkina Faso could have repaid their costs. But since the euro was trading at \$1.3, they suffered serious losses.³⁴

The appreciation of the euro is equally destabilising for food products destined for local consumption: it discourages local production, making it more expensive than imported goods. As the economist Mamadou Ndong explains, the problem arose in the rice sector in Senegal: 'In the 2000–2009 period [...] the appreciation of the euro by 50 per cent against the dollar made local rice 50 per cent more expensive than Thai rice, which is, as we know, quoted in dollars. This price effect on the competitiveness of local rice represented a severe, almost insurmountable, blow [to the local industry], which threatened to destroy all the efforts made for the development of the rice sector in Senegal. In this context, the goal of food self-sufficiency faces serious limitations. More generally, all goods that are potentially candidates for import substitution, as well as those geared for export, are penalised by the presence of a "strong" euro.'³⁵

Faced with such criticisms, the political and monetary authorities usually resort to the 'neither–nor' narrative: the CFA franc is neither overvalued nor undervalued. The situation obviously affects each country and block of countries differently. The BCEAO acknowledges that the exchange rates of the WAEMU countries have all been overvalued in variable proportions between the late 1960s and 1994. This situation, the bank said, 'severely damaged the competitiveness of the zone insofar as production costs have remained high'.³⁶ The fact that such a strategy is pursued by a central bank of poor countries is all the more absurd if we consider that most states, including the largest ones such as China and Germany, try to have an undervalued currency in order to be more competitive. And that is because, as we have already noted, a strong currency acts as a tax on exports, since it makes them more expensive, and as a subsidy on imports, since it makes them cheaper.

This question of the external value of CFA francs becomes even more crucial when states engage in trade liberalisation policies, that is, in the gradual abandonment of their trade and industrial policy tools (such as the elimination of tariff and non-tariff barriers, as well as of measures of support for sectors exposed to international competition). Yet this is precisely the direction in which the European Union, since the 2000s, has been pushing African countries, by trying to get them to sign a series of free trade agreements, called Economic Partnership Agreements (EPAs), which aim to remove customs barriers for European products.³⁷ So far the EU has only

managed to get a few countries to sign and ratify them. For the countries of the franc zone, these EPAs would have the effect of a double sanction: their products would be penalised by the CFA franc, which is a strong currency, and by renewed international competition caused by the withdrawal of tariff and regulatory protections. There is no more effective recipe for keeping them in the trap of primary specialisation.

The pegging to the euro entails another constraint: in order to defend the parity against the euro, CFA countries must pattern their policies on the functioning of the eurozone. They must collectively pursue a great macroeconomic discipline, similar to that imposed on euro area countries by the European treaties. This discipline requires central banks to aim for an inflation rate close to that of the eurozone or in any case lower than 3 per cent. In the 1960–86 period, the systematic devaluations of the French franc against the dollar, together with the favourable prices of primary products, allowed some African states in the franc zone to register significant growth rates. But even then, the countries of the franc zone recorded unusually low inflation rates for their level of development.³⁸ If they had followed a more relaxed monetary policy (more credit and a more flexible exchange rate), they would probably have achieved better rates of economic growth. The impossibility of resorting to exchange rate adjustment would appear to have been ‘a bad bargain’,³⁹ the costs of a fixed exchange rate being greater than its benefits. The decision to maintain a low inflation rate had the effect of curbing the growth potential of the countries of the zone. The situation did not improve following the pegging of the CFA franc to the euro in 1999. Since then, the African countries of the franc zone have recorded an average annual growth rate of per capita income of 1.4 per cent, vis-à-vis 2.5 per cent for sub-Saharan Africa as a whole.⁴⁰

Underfinanced Economies Due to ‘Monetary Repression’

We now come to the third handicap: the underfinancing of the African economies. As noted above, the priority of the zone’s central bank is to ensure that there are sufficient foreign exchange reserves to defend the parity of the CFA francs against the euro. This means that they must limit the creation of money, that is, the domestic credit granted to governments, businesses and households. If foreign reserves decrease, they must tighten credit by increasing interest rates and lowering the refinancing ceilings. Since 1975, the BCEAO has established a system of ‘monetary planning’

which consists of 'determining, on the basis of a certain objective in terms of foreign assets, the level of its assistance to member countries'. The BEAC has been doing the same since the beginning of the 1990s.⁴¹ But this programming is not always effective, or better; the central banks tend to direct it in only one direction: since 1994, the rate of coverage of money issuance has always been near or above 100 per cent, well above the 20 per cent required by the operations account agreements. Moreover, the central banks of the franc zone are always very zealous in depositing more foreign exchange reserves than necessary in the operations accounts. This high level of foreign exchange reserves is the result, among other things, of the low level of domestic credit granted to governments, businesses and households. The central banks fear that an accommodating credit policy could generate inflation and fuel an excess of imports, the effect of which would be to exhaust their reserves and thus make it difficult to defend the parity with the euro and maintain the operations accounts in surplus. Therefore, in the WAEMU zone, advances or overdrafts to local governments – we are not talking about monetary financing – were abolished in 2005, while they are regulated (limited) in the CEMAC zone. This highly restrictive approach forces states to borrow money from local commercial banks at higher rates than those of the BEAC and BCEAO, but also to borrow in foreign currency at prohibitive rates.⁴²

These constraints are further exacerbated by the peculiar functioning of commercial banks. These operate in a context that has changed over the years and that has been marked in particular by the declining weight of the French banks, due to competition from Moroccan and 'pan-African' financial institutions: in 2014, the market share of French banks was 14 per cent in the WAEMU and 21 per cent in the CEMAC, compared to 30 and 50 per cent a decade earlier.⁴³ Despite this diversification, credit markets are only marginally integrated⁴⁴ – national banking systems remain fragmented – and the branches of large foreign groups continue to dominate the market. Like in the colonial era, these banks contribute little to the financing of the development of the local economy. In 2016, the credits to the economy as a share of GDP was 22.9 per cent in the WAEMU and 16.5 per cent in the CEMAC.⁴⁵ By comparison, this ratio was 115 per cent in Morocco and 80 per cent on average in sub-Saharan Africa: 32 per cent in Ghana, 35 per cent in Nigeria, 187 per cent in South Africa.⁴⁶ The data concerning the franc zone also displays considerable disparities: the Ivory Coast and Senegal, the richest countries, receive almost half of the bank loans of all

the WAEMU, while within the CEMAC, Cameroon and Gabon, the most important states, received 57.1 per cent of all the credits to the economy in 2016. It is clear that no effort is being made to facilitate the access to credit in the poorest countries. This is demonstrated by the fact that in 2016, Guinea-Bissau, which has around 1.8 million inhabitants, received a volume of bank loans (63.6 billion CFA francs) comparable to that which the BCEAO granted to its 3,505 employees (52.2 billion CFA francs).⁴⁷ Bank loans, mostly short- and medium-term, are mainly granted to the services sector and are notable for their prohibitive interest rates. It is true that nominal interest rates are relatively low compared to those observed in most African countries,⁴⁸ due to lower inflation; however, the interest margins – that is, the difference between the rate at which the bank grants credit and the rate at which it refinances itself – are among the highest in the world, as the Bank of France noted with regard to the WAEMU: ‘The banks’ interest margin on customer transactions, derived from the difference between loan yields and the average rate it pays on deposits, was around 9 per cent in the WAEMU in 2008, compared to an African average of 8 per cent and a global average of 5 per cent. The interest margin is less than 4 per cent for Nigerian, South African, Moroccan and French banks.’⁴⁹

The underfinancing of the economies of the franc zone is all the more paradoxical because it takes place in a context of excess bank liquidity, a situation in which the reserves held by the commercial banks at their central bank are greater than the required reserves.⁵⁰ This means not only that there is no money creation, but also that the available savings are not mobilised to facilitate the economic agents’ access to credit. This is an example of the ‘monetary repression’ denounced by Joseph Tchoundjang Pouemi (see Box on page 59). This behaviour explains why the economic impact of devaluations and trade liberalisation has often been disappointing: the productive sector is blocked by lack of credit. This, in turn, has led to the spread of microfinance institutions that take advantage of the situation to impose even more onerous interest rates than those of commercial banks.⁵¹ It should be noted that the rate of access to banking services – that is, the percentage of citizens over 15 who have a bank account – in the franc zone is among the lowest in the world, less than 10 per cent on average, compared to 24 per cent average in sub-Saharan Africa in 2011.⁵²

To justify their lack of risk-taking, the commercial banks point to the insufficient guarantees of potential clients. In reality, the oligopolistic nature of the banking systems of the franc zone allows them to make sig-

nificant profits without having to worry too much about financing the local economies. They prefer to lend little – mostly to large companies – at high interest rates rather than lend more at more reasonable rates. It's a strategy known as 'high margin'.⁵³ Given that they lend very little to households and businesses, they end up having to buy government bonds to reduce their excess liquidity. Half of their resources are therefore allocated to the real economy and the other half to investments in their central banks and purchases of government bonds.⁵⁴ This weak financing of the economies obviously penalises economic growth, as acknowledged even by economists favourable to the CFA franc, such as Sylviane Guillaumont Jeanneney: 'The weak growth of the WAEMU is partly explained by a lower investment rate compared to other regions in Africa. This low rate of investment is accompanied by a chronic excess of commercial bank liquidity and, following the 1994 devaluation, by a considerable stock of BCEAO foreign reserves. The weakness of investment is partly due to the scarcity of public investments in infrastructure, education and health.'⁵⁵

The Senegalese economist Demba Moussa Dembélé, a critic of the CFA system, is even more explicit. Because of the fixed parity and the restrictive policy of the BCEAO, he explains, 'we are subject to the imperatives of the European Central Bank, which is obsessed with fiscal discipline and the fight against inflation, while the priorities of underdeveloped countries such as ours should be employment, investment in productive capacity, the creation of infrastructures. This implies a greater distribution of credit to the private sector as well as the public sector.'⁵⁶ The Togolese economist Kako Nubukpo shares this view: 'There can be no development without credit, and greater inflation would encourage investment. There is a contradiction between the discourse on development, which requires significant funding, and the CFA franc system. Our monetary policies do not take into account the question of growth.'⁵⁷

A Mechanism to Drain Resources Out of Africa

The principle of free movement of capital, one of the pillars of the franc zone, is the fourth handicap that burdens the economies of the member states, even if it is applied imperfectly. Now, it is true that this clause is found in most bilateral investment treaties signed by African states, who believe that they can attract an influx of foreign direct investment thanks to this mechanism,⁵⁸ but it is nonetheless a factor that considerably hinders

the development of the countries involved, most often translating into a financial bleed-out that, in some ways, resembles that of the so-called '*économie de traite*'. When key economic sectors are under the control of foreign capital, as is the case in most countries in the franc zone, the free movement of capital acts as a mechanism for draining African resources towards the rest of the world: a licence to loot. This phenomenon is particularly noticeable in the countries most endowed with natural resources: the Ivory Coast, Cameroon, Congo, Gabon and Equatorial Guinea.

To get an idea of the net transfer of resources from the franc zone, we need to examine the income balance of the countries concerned, that is, the net income payments made to the rest of the world. In short, the income balance represents the balance between the income received from abroad and that which is paid to the rest of the world. Outflowing income includes repatriated profits and dividends, the interest paid on the debt and the remuneration of non-resident workers.

Analysing these figures, we can see that Equatorial Guinea and Congo, the main oil producers, are the two African champions in terms of net transfers of income to the rest of the world. In the 2000–09 period, these amounted to approximately –43 per cent of GDP for Equatorial Guinea and –30 per cent of GDP for Congo. In short: the profits that the oil multinationals in Equatorial Guinea brought out of the country represented almost half of the wealth produced by the country each year. In the case of Congo, net income payments (consisting mainly of repatriation of profits and interest on the debt) represented almost a third (–30 per cent) of GDP. Although these impressive percentages in the 2001–16 period fell to –34.1 and –17 per cent respectively for Equatorial Guinea and Congo, they remain well above the levels observed in the vast majority of African countries. Also Gabon has recorded an important volume of net transfers of income from 1970 to today (between –7.4 and –12.6 per cent on average per year), as well as Cameroon between 1970 and 2000 (between –5 and –11.6 per cent on average per year) and the Ivory Coast between 1980 and 2010 (between –7.8 and –9.4 per cent on average per year). This data allows us to understand how economic growth in the franc zone, rather than increasing local productive capacities, reflects the growth of the local activity of multinationals. It also shows the importance of foreign capital as a source of financing.

Like other African states, the countries of the franc zone are also victims of 'capital flight': these are funds that have been 'illegally acquired' and/or 'sent abroad illegally'.⁵⁹ These capital outflows pass through various pro-

cesses, mainly used by multinationals: false invoices, the manipulation of 'transfer prices', that is, the transaction prices between the various entities of the transnational company involved, etc.

Foreign debts fuel capital flight. Economists Léonce Ndikumana and James Boyce estimated its magnitude during the period 1970–2008 in a sample of 33 countries, including seven belonging to the franc zone, and concluded that foreign debt is a mechanism that tends to favour capital outflows and impoverish Africa. According to their calculations, for every dollar lent to Africa, 60 cents flow out the same year in the form of capital flight. Furthermore, for every additional dollar of foreign loans to Africa, between 2 and 17 cents are deposited in foreign banks.⁶⁰ In the Ivory Coast, capital flight, including the interest that such funds could have generated, was estimated in the period 1970–2008 at \$66.2 billion in 2008 dollars. It is the third African country most affected by this phenomenon, after Nigeria and Angola. Within the franc zone, the Ivory Coast is followed by Cameroon (\$33.2 billion, 7th place), Congo (\$26.9 billion, 9th place) and Gabon (\$21.8 billion dollars, 12th place). If we relate these figures to the external debt of each country, we see that the economic cost of these capital outflows is considerable. For example, the estimated amount for Cameroon is almost 13 times higher than its foreign debt (1,190 per cent). For Gabon, the Ivory Coast and Congo, the percentages are the following: 923 per cent, 527 per cent and 490 per cent.⁶¹

These capital outflows hamper development in many ways. Economic growth is weaker due to low investment rates, while available domestic resources, instead of being mobilised to increase internal productive capacities, are mostly dedicated to the repayment of illegitimate debts, not to mention the power inequalities created by the accumulation of foreign financial assets by the African ruling classes.⁶² All these elements reinforce the extroversion of African economies, while making the advent of legitimate political regimes serving the public interest more difficult. The most serious aspect of this whole affair, as Léonce Ndikumana and James Boyce point out, is the resulting human drama. The money spent to repay the foreign debt is money that is taken away from health and education. According to their estimates, every dollar spent in Africa for servicing the debt translates into a 29 per cent reduction in the health budget (which, in more tragic terms, can be translated economically as follows: every \$140,000 allocated to the debt service, a child dies).⁶³ These figures allow us to better understand the gap that exists between the apparent economic

progress, in terms of GDP per capita, registered in countries such as Gabon, Equatorial Guinea, Congo and the Ivory Coast, and their poor performance in the fields of health and education.

We are therefore faced with a system in which the central banks have ample foreign exchange reserves remunerated at low or even negative rates in real terms, in which commercial banks hold excess liquidity, where access to household and corporate credit is rationed and in which the states are increasingly obliged, in order to finance their development projects, to contract foreign currency loans at unsustainable interest rates, which further encourages capital flight. These are all symptoms of a non-sovereign currency.

An Unsustainable Status Quo

For a long time, much effort has been put into keeping the topic of the CFA franc and the issues that surround it shielded from the public debate, in France as well as in Africa. Being poorly informed on the topic, citizens lacked the tools to question the system. However, in recent years, the CFA franc has ceased to be a matter debated solely by experts. Today it is the subject of articles, events, television shows and conferences on the African continent and in France. The demands to end the CFA franc are multiplying and the pressure is increasing.

A MULTIFACETED AND GROWING PROTEST

Following the debates triggered by the 1994 devaluation, the CFA franc once again became a non-theme, especially for the French media. The situation has changed since 2015–16, probably due to a combination of various factors: the rumours of a devaluation of the CEMAC area in 2015 and 2016; the critical statements made by the Chadian president Idriss Déby in August 2015, who called for ‘cutting the umbilical cord that prevents Africa from taking off’;¹ the growing awareness of the younger generations; the position taken by several African intellectuals. In particular, the publication, in September 2016 in France, on the eve of a meeting of finance ministers of the franc zone, of a collective book by African and French economists, *Sortir l’Afrique de la servitude monétaire. A qui profite le franc CFA? (Getting Africa Out of Monetary Servitude. Who Benefits from the CFA franc?)*, has given new visibility to the Franco-African currency in the French media landscape.²

In line with the arguments put forward by Samir Amin and Joseph Tchundjang Pouemi in the 1970s and 1980s, the criticisms of contemporary African economists are mostly technical in nature: the currency of the franc zone is not managed in such a way as to help the cause of development (let alone a self-centred development). These intellectuals criticise the

lack of monetary autonomy of the central banks, which are thus forced to pursue a particularly restrictive monetary policy, and challenge the monetary status quo based on a heterodox conception of the nature of money – which, as a foundation of social relations, cannot be reduced to a medium of exchange – and of its central role in capitalist economies, which are precisely ‘monetary production economies.’³ According to this perspective, money, in the sense of creating an additional purchasing power that does not presuppose the existence of prior savings, is a condition of production. Without advances to producers in the form of credit, a growth in production on a permanent basis is inconceivable. Conversely, the guardians of orthodoxy, including those responsible for managing the central banks of the franc zone, believe that money is essentially a medium of exchange that has no long-term effect on production. Hence the choice to give priority to the fight against inflation instead of mobilising monetary policy to reduce unemployment and underemployment. But this orthodox vision of the money was severely compromised by the financial crisis of 2007–08 and its subsequent developments,⁴ to the point that the Bank of England felt compelled to publish a series of articles and educational videos to explain how money works in the modern world and why economics textbooks, and the neoclassical analysis on which they rest, get this point completely wrong.⁵

According to the critics of the CFA franc, the following changes are essential: moving towards a more flexible exchange rate regime for the countries of the franc zone; getting the central banks of the zone to take into account growth and development in addition to price stability, and to coherently coordinate their monetary policy with national budgetary policies; reforming the local financial and banking systems to facilitate the financing of the economies; and strengthening the fiscal solidarity between states.

In parallel with the re-emergence of these technical criticisms, we are also witnessing an unprecedented mobilisation by African groups and organisations around more political issues. In Senegal, for example, an ‘anti-CFA franc front’ has been set up which organises conferences and events, highlighting the need for African countries of the franc zone to gain their ‘monetary sovereignty’. These social movements call for the elimination of the increasingly intolerable symbols of monetary colonialism. They reject the name ‘CFA franc’ and no longer want their banknotes to be produced in France. They also call for the elimination of the operations accounts and the end of the French presence in their central banks. Their arguments have a certain echo in public opinion, increasingly aware that, without monetary

independence, the states of the franc zone will continue to remain subject to France. Furthermore, more and more artists are critically engaging with the CFA franc, such as the famous Senegalese rapper Didier Awadi, who, in a song published in 2018, sings: 'We can't stand this damn CFA no more.'⁶ In June 2018, a dozen African musicians from seven countries released a music video titled *7 minutes contre le CFA* (*7 minutes against the CFA*). 'The hijacking has lasted long enough, the racket has come to an end,' that is not our currency', they chant.⁷

Social networks play an important role in the anti-CFA franc mobilisations: they allow for information and opinions to spread rapidly. In May 2018, for example, an image depicting 'the first ten richest countries in Africa in 2018' according to the AfDB enjoyed a wide circulation. The text read: 'No country on this list uses the CFA franc, every country on this list has its own currency.' Social networks also gave ample visibility to the unusual protest gesture of the Franco-Beninese activist Kemi Seba, the founder of the NGO Urgences Panafricanistes, who, in August 2017, burned a 5,000 CFA franc banknote during a demonstration 'against the Françafrique' organised in Dakar. This spectacular stunt, aimed at denouncing a 'political-economic scandal of the colonial order', had a strong echo among part of the African youth. The consequences weren't long in coming: a few days later, Kemi Seba was arrested, based on a complaint filed by the BCEAO for the 'deliberate destruction of legal tender notes'. He was released after the trial on 29 August, but was expelled shortly thereafter to France, as the Senegalese authorities believed his presence on the Senegalese territory was 'a serious threat to public order'.

In order for this nascent popular movement to translate into real change, however, it would obviously be necessary for the political class of the various countries of the franc zone, both the ruling parties and those in opposition, to take up this battle. This is not yet the case. Few political formations make the CFA a key point of their focus. In Gabon, for example, says an academic, 'the CFA franc is a non-issue: no party or leader has ever integrated it into their speeches, least of all in their campaigns. Politicians are too "françafrikanised" to take a position on this topic. Worse still, the opposition, which should carry on this kind of discourse, only relies on France to come to power!'⁸ Today, the only politicians who regularly express themselves on the issue are Mamadou Koulibaly, from the opposition party LIDER in the Ivory Coast,⁹ and Saïd Ahmed Saïd Abdillah, president of the Parti Comores Alternatives (PCA).¹⁰ At the end of 2017, the latter declared:

'Money is not just a part of our national sovereignty. It is also the oxygen of our economy. There can be no development without the control of our monetary policy. No country has ever emerged without it.'¹¹ Finally, it is worth mentioning a few statements made by the Cameroonian Anicet Ekane, leader of the opposition party MANIDEM (African Movement for New Independence and Democracy), in view of the 2011 presidential elections in Cameroon. The CFA franc, he said, is 'one of the straitjackets that keeps the African countries dependent on France'.¹²

While the political parties remain very timid on the subject, some African heads of state have started to take a slightly different approach to the CFA franc. As noted already, Idriss Déby raised his voice in 2015 to solve his budgetary problems, which earned him the title of 'monetary illiterate' by an official of the French Ministry of Finance a few months later.¹³ The Chadian president, whose nephew, Abbas Mahamat Tolli, became governor of the BEAC at the beginning of 2017, reiterated his criticisms in June 2017 during a radio interview. To the question: 'Should we end the CFA franc?', he replied: 'The only interest of the CFA franc is to have fourteen countries with a common currency. The fourteen countries must stay together and renegotiate [the agreements] so that the French Treasury no longer manages us. It is up to us to manage our currency with our own central bank. Sitting on the board of our central bank, we have three [*sic*] French members who have the right of veto. Where is our monetary sovereignty? How do we expect Africa to develop? Furthermore, our colleagues from Anglophone, Portuguese-speaking and Arabic-speaking Africa tell us that "if we have problems today it is because of you French speakers"'.¹⁴

Before Idriss Déby, the Senegalese president Abdoulaye Wade had declared, in a rather solitary gesture: 'After fifty years of independence, we must review our monetary management. If we recover our monetary power, we will be able to manage ourselves better. Ghana has its own currency and manages it well; this is also the case in Mauritania and Gambia, which both finance their economies.' In November 2017, the head of state of Burkina Faso, Roch Marc Christian Kaboré, said: 'The debate on economic independence and on money is not new. [...] It is certainly possible, and it is up to the Africans states to decide and change the rules of the game'.¹⁵

However, as in the past, there's no unanimity on the issue among the leaders of the franc zone, whose relations with Paris remain ambiguous, to say the least: the president of the Ivory Coast, Alassane Ouattara, has repeatedly taken position against the reform proposal advanced by the

continent's economists. In April 2016, he summoned his professional experience to discredit any call for change: 'I have been governor of the BCEAO and I am still its honorary governor. And I can tell you that the CFA franc has been well managed by Africans. So I strongly invite African intellectuals to show moderation and, above all, discernment. If we look at the long run, twenty-five, thirty years, this currency has been useful to its people. The countries of the franc zone are the countries that have had the most continuous growth in the long term, they are the countries that have had the lowest inflation rate, and it is one of the few zones where the rate of coverage of money issuance is almost 100 per cent. I'm sorry, what more do we want? Maybe you're annoyed by the term "CFA franc", but in that case change it. Overall, however, I believe we made the right choice.'¹⁶

On the French side, several left-wing political parties have taken a stand on the issue in recent years, particularly in view of the 2017 French presidential election, calling for an end to the CFA franc: the French Communist Party, La France Insoumise, the New Anti-Capitalist Party (NPA) and Lutte Ouvrière. Even the political party Solidarité et Progrès,¹⁷ as well as the National Front, the far-right party of Marine Le Pen, pronounced themselves against this currency, calling it 'a tragedy for African economies'.¹⁸ However, so far none of these political parties has followed through, with the exception of the Communist Party. In February 2018, senator Christine Prunaud, a member of the Foreign Affairs and Defence Committee, addressed a question to the French economy minister on the future of the CFA franc. Questioning him about the 'planned measures' to respond to the growing protests in the African continent, the senator said: 'Even though these countries freed themselves from their colonial tutelage, their autonomy and financial independence are not yet guaranteed, taking into account the specificities of the CFA franc.'¹⁹ Three years earlier, the Gabriel Péri Foundation had organised, with the support of Communist senator Dominique Watrin, a debate on the future of the CFA franc in the Senate.²⁰

THE RESPONSE OF THE SUPPORTERS OF THE SYSTEM

In France, the authorities seem to have become aware of the growing antagonism of African citizens vis-à-vis the CFA franc. This is testified, first of all, in the sudden increase in the French media of articles by 'experts' who obviously don't waste any chance to celebrate the 'stability' of the CFA system, but rarely mention the handicaps involved. Politicians and busi-

nessmen have also begun to take a stand on the subject, testifying to the fact that it is taken seriously. Lionel Zinsou, the owner of an investment fund, former collaborator of prime minister Laurent Fabius in the 1980s and for a brief time prime minister of Benin (June 2015–April 2016), for example, made many statements on monetary matters. ‘It is wrong to say that Africans want to abandon the CFA franc,’ he explained in 2017 in Paris. ‘There is no black market for local currencies nor flight to other currencies, which would point to a lack of confidence in the currency.’²¹

In their attempt to discredit the critics of the CFA franc, its defenders do not hesitate to state that the debate should be limited to ‘specialists in economic and financial matters’. According to them, those who criticise the CFA system, including the African economists, give in to ‘passions’ and ‘emotions’ and get caught up in ‘militant’, ‘ideological’ or ‘demagogic’ arguments. The fight against the CFA franc has thus become a ‘populist workhorse’. As a result, challenging the CFA franc doesn’t ‘pay’ and indeed can even be risky for those who hold positions of responsibility. The case of Togolese economist Kako Nubukpo proves this: in 2015, he was dismissed as Togo’s Minister for Long Term Strategy and Public Policy Evaluation, following pressure from the BCEAO and the Ivorian president Alassane Ouattara, who were irritated by his critical analysis of the CFA franc and the management of the central banks. At the end of 2017, he was also sacked from the International Organisation of La Francophonie (*Organisation internationale de la francophonie*, OIF), based in Paris, where he had been director of economic and digital issues. Even in this case, it was his public statements about the CFA franc that got him into trouble. The OIF leadership said it had received ‘protestations from various heads of state and government’ following his anti-CFA statements.

As for the French authorities, for a long time they simply repeated the usual mantra: that the CFA franc is an ‘African currency’ and that it’s up to Africans to decide its future. Then, as the pressure continued to mount, they were forced to adopt a somewhat more ‘progressive’ discourse. During a meeting with Alassane Ouattara at the Élysée, at the end of August 2017, President Emmanuel Macron said of the franc zone: ‘I think we need to modernise it, to open a new path with great pragmatism, and I think this is what we have to work towards together.’ A few weeks later, in November, he returned to the subject during a visit to Burkina Faso, but this time he did so ambivalently: ‘I will support any solution taken by all the presidents of the franc zone. If they want to change the boundaries [of the zone], I’m

pretty favourable. If they want to change its name, I completely agree. And if they want, if they believe that it is even necessary to totally abolish this [instrument of] regional stability and that this is in their interest to do so, I think it's up to them to decide and so I'm in favour.' Paradoxically, and perhaps unconsciously, demonstrating that the French continue to set the rules of the game, Macron said that he was willing to consider reform plans, but at the same he hinted that the African states would be foolish to give up the CFA franc, by virtue of the 'stability' that it guarantees. Moreover, he circumscribed the possible changes only to the name and 'boundaries' of the franc zone. Macron's economy minister, Bruno Le Maire, said the same thing in April 2018, reiterating that it was up to the states of the zone to 'put forward a series of requests, whether it concerns the [zone's] name, geography, enlargement or reserve deposit system'.

The field of reforms 'suggested' by the French officials leaves aside the crucial question of whether the franc zone should continue to exist at all. Their insistence on the fact that it is up to the African states to formulate their 'requests' – the term is very revealing – shows that they know very well how difficult it is for the leaders of the franc zone to find a consensus: it is sufficient for the Ivorian president Alassane Ouattara, considered to be very close to France, to maintain his position to ensure that nothing changes. This is a reality that has always been ably exploited by the French authorities: they know that the various heads of state do not have the same imperatives or the same economic and political agendas. This is one of the hidden strengths of the CFA system: by playing, ever since independence, on the question of inter-African 'solidarity', Paris has made it very difficult for any single African state to dissociate itself from France or stand against it. Senegalese president Abdou Diouf spoke of this phenomenon in his memoirs taking the case of the 1994 devaluation: 'In 1993 [...] I began to seriously think about the situation and came to the conclusion that I had no choice, firstly because to stand against the IMF would have been a battle between David and Goliath; and secondly because, in terms of African solidarity, when I realised that all the states had agreed but two (Senegal and Gabon), it became urgent to resolve the issue of the devaluation', says the former head of state.²² It is therefore clear that the invocation by Macron of a 'solution taken by *all the presidents* of the franc zone' is not accidental.

In short, France shows no intention of wanting to give up its grip on the CFA system, and even less so of wanting to put an end to it.²³ In a report

published in April 2018, former French minister and former director of the IMF Dominique Strauss-Kahn makes no allusion to this option, proposing instead to replace the French representation in the central banks of the franc zone with a European representation and to enlarge the zone to include Ghana.²⁴ He thus proved that he has not yet understood that a large number of Africans no longer want to have a monetary ruler and that the franc zone is not appealing to a relatively advanced English-speaking country like Ghana.

The position of the French leaders is not surprising: they continue to defend the interests of their country and its businesses. For France to shift its stance, the balance of forces will have to change first: history tends to show that France is willing to loosen its grip on Africa only when tensions mount and the risk of 'losing everything' becomes too great. The last major change, in 2005 and 2007, with the reduction of the mandatory quota of reserves to be held in the operations accounts from 65 to 50 per cent, is proof of this. It took place only because Equatorial Guinea, which became an important oil producer from 1995 onwards, ten years after entering the franc zone, was reluctant to apply the rules, preferring to place its oil proceeds in the United States. After a heated debate between President Jacques Chirac and his counterpart Teodoro Obiang Nguema Mbasogo, Paris eventually agreed to have the country deposit only 50 per cent of its foreign exchange reserves in the operations account.²⁵

Even if the African leaders do not face up to their responsibilities and don't demand change, the pressure around the CFA franc will continue to mount in the years to come, for all the political and economic reasons we have already mentioned, but also for an another unstoppable factor: demographic change. In 1950, with its 41 million inhabitants, the French population was larger than that of the current franc zone, which at the time had 30 million inhabitants. Today the relationship is reversed: the 15 African countries of the franc zone are two and a half times more populous than France (162 million inhabitants against 64 million in 2015). By 2100, they will count 800 million inhabitants against 74 million in France, according to UN projections. The ability of Paris to 'guarantee' the African currencies will inevitably be weakened, because the French economy will probably no longer be big enough to lend credibility to such a promise. Another structural factor that will force the system to evolve is the predictable end of the oil age in the CEMAC area. This will have the effect of reducing the foreign exchange reserves of the member states, whose econ-

omies are not very diversified.²⁶ This will most likely cause a delinking between the two CFA francs, which will call the very existence of the franc zone into question. Clearly, the more the current status quo prevails, the more painful the fall will be in the CEMAC.

It is therefore understandable that, while on the one hand the African states have good reasons to organise themselves and put an end to the anachronistic system of the CFA franc, on the other hand France, for its part, has every interest in making sure that things do not change, to avoid problems in the future. This is especially so in light of the fact that the CFA franc continues to fuel, in most countries of the franc zone, a growing 'anti-French sentiment' that seems to seriously worry French diplomacy.

BREAKING WITH MONETARY IMMOBILITY

'We need to get out of the CFA franc', a growing number of African social movements and economists say. How can it be done? From a legal point of view, the answer seems simple, since the 'exit' is an option provided by the treaties signed by the member states. The first two paragraphs of article 36 of the WAEMU treaty states: 'Every member state can withdraw from the West African Monetary Union. The decision to withdraw must be notified to the Conference of Heads of State and Government of the WAEMU. It will come into full effect one hundred and eighty (180) days after its notification. However, this period may be shortened by mutual agreement between the parties.' Article 58 of the CEMAC treaty contains similar provisions.

Similarly, each state can denounce the monetary cooperation agreement and, consequently, the agreement on the operations account that binds it to France. In short, if a state wants to leave the franc zone, it does not need to ask for permission. He just has to assume its responsibilities. Having said this, we need to distinguish between two possible exit scenarios: an individual exit and a collective exit. The first could be described as a 'nationalist exit': the countries that decide to follow this path would simply begin to mint their own currency. Obviously, if one of the leading countries of the two monetary unions, Cameroon, Ivory Coast or Senegal, chose to leave the franc zone, as Algeria, Guinea, Madagascar, Morocco, Mauritania, Tunisia and Vietnam did, the CFA system would likely not survive. The solution of an isolated exit, however, involves many risks and uncertainties and would not be immune to sabotage attempts (as several countries

experienced in the past; see Chapter 3). The other option is the so-called 'pan-African exit': in this case, the African countries of the same monetary union would decide to abolish the monetary cooperation agreement and the agreement on the operations account with France in a collective and solidary manner. Instead of a single country leaving the monetary union, France would be the one to be 'kicked out', while the monetary union would remain in place. As a result, the operations account, the centralisation of the foreign exchange reserves in Paris and the French 'guarantee' of convertibility would disappear. Obviously, France would no longer be represented in the central banks and the foreign exchange reserves would come under the control of the African countries. Monetary and exchange rate policy would come under the collective responsibility of the African states, which would also have the freedom to change the name of their currencies and to manufacture their banknotes in a country other than France.

Besides from the issues relating to the various exit scenarios and their consequences, several proposals have been developed which aim at overcoming the current monetary standstill. Some of these aim to reform the franc zone. An idea that is evoked with increasing frequency would be that of anchoring the CFA franc to a basket of currencies (the dollar, the euro, the yuan and the pound sterling, for example) and no longer just to the euro, in order to take into account, among other things, the fact that the countries of the franc zone are increasingly trading with other monetary areas. While this reform would represent a step forward in giving greater flexibility to the exchange rate, it would not solve the problem of the lack of fiscal solidarity between states that lack control of their monetary policy and exchange rate. Therefore, the countries concerned would still be forced to resort to 'internal devaluation' as an adjustment mechanism. Furthermore, it would not put an end to the French tutelage over the WAEMU and CEMAC, whose monetary autonomy, although greater than before, would still be limited.

Many economists who consider it essential to go beyond a simple reform of the CFA system and call for its abolition, have naturally reflected on the possible alternatives and the new monetary systems that would have to be built. Here we will explore two roads that go in that direction and that seem particularly interesting to us: one would be to create a single currency for West Africa, while the other would aim to create mutually supportive national currencies.

A SINGLE REGIONAL CURRENCY...

One of the great lessons that can be drawn from the history of the CFA franc is that African countries don't need the French 'guarantee'. If they stand in solidarity with each other and commit to a certain discipline, they can equip themselves with a common convertible currency. This could therefore be one of the paths to follow to build an alternative to the CFA franc.

The ECOWAS,²⁷ a block of 15 countries, including those of the WAEMU, has been working for some time on a single currency project. Formulated in 1980 and revived in the early 2000s, this project continues in the wake of another, larger project, which envisaged a single continental currency and which was conceived at the time of independence by pan-African leaders such as Kwame Nkrumah, and which has since been postponed several times. Initially, the ECOWAS plan was to create a monetary union comprising the seven West African countries not belonging to the WAEMU – the West African Monetary Zone (WAMZ) – by 2015, which would then merge with the eight countries of the WAEMU in 2020. The 2015 deadline, however, was missed, so it was decided that the monetary union would be launched directly in 2020.²⁸ However, many uncertainties still remain, especially with regard to Nigeria, which is a member of the ECOWAS. It is the largest economy in the region and has set a condition for the birth of the single currency – which has been officially named 'eco' in June 2019: the WAEMU countries must first divorce from the French Treasury.²⁹ However, these countries have so far seemed reluctant to cut the monetary cord that binds them to France. The Nigerian authorities also believe that the 2020 deadline is too ambitious, given the unpreparedness of most of the region's economies. More fundamentally, Nigeria is sceptical of the gains it could derive from being part of a large currency bloc. A single currency would oblige it to renounce not only its national currency, the naira, but also its economic independence, since monetary integration implies a collective discipline and a coordination of national budgetary policies (in order to make them compatible with a supranational monetary policy). This type of constraint explains the preference of practically all the world's most powerful countries for national currencies. With the exception of the euro area countries, all the largest countries in the world in terms of size and demographic weight have their own national currency. At present, there is no state in the world with a population of over 100 million inhabitants that doesn't own its own currency. Nigeria's current population is expected to

double by 2050, reaching nearly 400 million inhabitants and surpassing that of the United States. Nigeria is not the only country to harbour reservations about the single currency. Even a small country like Cabo Verde doesn't show much enthusiasm. This archipelago, which is more integrated with the European Union than with its mainland neighbours, has so far chosen to keep away from the WAMZ.

In addition to these political difficulties, the economic preconditions required of the members of the future monetary union of the ECOWAS constitute a further obstacle. Similarly to the convergence criteria that the European treaties set as a condition for joining the euro, the African states are asked to respect certain criteria relating to inflation rate, budget deficit and public debt. This condition is highly unrealistic: it is difficult to quickly converge volatile and poorly diversified economies on the basis of mostly cyclical criteria. Countries with high levels of inflation and public debt will be obliged to adopt restrictive measures of dubious efficacy that risk weakening them further in order to meet those criteria. Furthermore, it should be noted that the WAEMU countries recorded the best results on average for these indicators. In their case, it would make little sense to give up their monetary integration in favour of a single ECOWAS currency if the other countries in the region are not ready. Lastly, there is no guarantee that nominal convergence – the achievement of similar performances in terms of inflation, public deficit, public debt, etc. – will lead to a 'real convergence', that is, to the achievement of similar performances in terms of economic growth, employment, etc. This is one of the lessons offered by the experience of the euro area, as a Bundesbank executive noted in 2017: 'In the eurozone, "convergence" was a key word from day one. Even today, although almost all central bankers' speeches member states in the euro area are experiencing an economic upturn by now, economic cycles are not synchronous. And unemployment rates are highly divergent, standing at over 22 percent in Greece and below 7 percent in Ireland. So even 25 years after we initiated a far-reaching treaty of European integration, and after 18 years of sharing a common currency, we are not marching in step.'³⁰

Thus, even if the ECOWAS single currency project was politically feasible, it is not certain that it would be economically desirable in its current configuration. This is because monetary and exchange rate policy in this context would most likely align with Nigeria's economic cycle, which represents over 70 per cent of West African GDP (including Mauritania) and 51 per cent of its population. It's all a question of power relations. If Germany

had not been able to impose its conditions on the eurozone, it would never have entered it. Similarly, Nigeria would have no interest in giving up its national currency for a single currency if the latter doesn't reflect its economic needs. And this is not considering the low level of trade integration within the ECOWAS and the differences between countries in terms of economic specialisation. The countries that benefit from sharing the same currency are those whose economic cycles are synchronous. Nigeria is an oil producing country, while most ECOWAS countries are net importers.

In such a context, a single currency would be justified only if accompanied by a high degree of fiscal solidarity, that is, by the possibility for countries suffering asymmetric shocks of receiving funds from the members of the union that are in better economic shape. This fiscal solidarity would be necessary to compensate for the transfer of monetary and exchange rate policy to a supranational level. The experience of the euro area has shown that a single currency without fiscal federalism leads to an increase in differences between states, that is, to greater polarisation. At least this is what the French collective of the *Économistes Atterrés* says: 'The sorcerer's apprentices who founded the EMU made a mistake [...] in believing that the single currency would be a factor of convergence among the economies of the euro area. The exact opposite has happened: the EMU has contributed to worsening macroeconomic imbalances among member countries. The area does not have a common budgetary and fiscal policy, in particular due to the absence of a political government.'³¹ Because of this original sin, the euro is a 'currency without sovereign', according to Jean-Paul Fitoussi, and an 'incomplete currency', according to Michel Aglietta and his co-authors.³²

For the moment, the ECOWAS single currency project doesn't provide for any mechanism of fiscal solidarity. Worse still, it calls for a set of rules to limit the public deficit (to 3 per cent of GDP) and public debt (to 70 per cent of GDP) of member states. Originally, these rules were invented for the management of the French budgetary process before being applied in the European Union and then in Africa. One of the French demiurges of the 3 per cent public deficit rule described it as a 'beautiful chimera' which 'has no other basis than circumstance'.³³ The hypotheses underlying these pseudo-rules of sound economic management derive from the principles of so-called sound finance, or sound financial management (see Box on page 135). They are largely contradicted by empirical evidence.³⁴ With no control over monetary and exchange rate policy and in the absence of fiscal transfers, countries facing adverse asymmetric shocks will be forced to

resort to internal devaluation as an adjustment mechanism, if budgetary orthodoxy is the rule.

However, the ECOWAS single currency project is not a bad idea, nor is it an unfeasible project. But we must avoid it becoming a straitjacket like the CFA franc and/or a bad copy of the euro, with all the drawbacks of the latter, and moreover without the benefit of trade and financial integration. When African countries have made progress on the path of political federalism, perhaps a single regional currency, or even a single continental currency, will be a credible project. In the meantime, however, we should be pragmatic. Incidentally, even if the ECOWAS single currency project was to see the light of day, this would not solve the problem of an exit from the CFA franc for the CEMAC countries, which currently have no similar project in the pipeline.

... OR MUTUALLY SUPPORTIVE NATIONAL CURRENCIES?

Exiting the CFA system in the context of a pan-African solidarity beneficial to all is possible. The option of national currencies deserves serious consideration. A national currency has the advantage of offering flexibility to states, which can use monetary and exchange rate policy, in coordination with fiscal policy, to influence national economic activity.³⁵ In principle, it is a more functional agreement than integration into a monetary union that doesn't provide for fiscal solidarity mechanisms. Over the past two centuries, monetary unions have served mostly colonial purposes in the southern hemisphere. With independence, they gave way to national currencies around the world except in the countries of the franc zone and in some small island countries and some 'dependencies', such as overseas territories and departments, the Vatican, San Marino, Monaco, etc. Of course, the performance of many African countries that have their own currency has not always been stellar, to say the least. But there is no example of a group of previously colonised countries of significant demographic size that has developed economically in the context of a monetary union. It should be remembered that the economic 'miracles' observed in South-east Asia have all occurred in the context of countries that have their own national currency.

The option of national currencies is compatible with some form of pan-African economic solidarity. In the early 1970s, Samir Amin put forward a proposal to that effect, divided into three phases, for West

Africa.³⁶ Phase one: the CFA franc is maintained, but the operations account is abandoned in favour of advance accounts. A common fund for development financing is established as an 'instrument of economic integration' to 'correct structural imbalances'. This fund manages part of the member states' foreign reserves and part of the central bank's assistance to national treasuries. Phase two: the English-speaking countries are integrated and the parities between their currencies and the CFA franc are determined. A new monetary union is created, with the purpose of managing exchange rate controls only with respect to the rest of the world and not between member countries. English-speaking countries join the common fund. Phase three: the French-speaking countries establish national currencies pegged to each other according to a fixed parity and managed by national central banks that support the development efforts of their respective treasuries.

Around the same time as Samir Amin made his proposal, a former director of the Senegalese national exchange office, Mamadou Diarra, put forward a similar proposal.³⁷ Starting from the premise that the CFA franc 'doesn't constitute a real currency, but only a sub-multiple of the French franc to which it is linked', Diarra took a stand against those who insisted 'more on the servitude of an independent monetary policy than on the greater opportunities it offers for effective governance'. In his work, published in 1972, he proposed the adoption of national currencies issued by national central banks according to parities in line with economic fundamentals. Such national currencies would have a fixed but adjustable parity to a common convertible unit of account registered with the IMF. Advance accounts would be negotiated in place of the operations account. Each national currency could be used in its own country of issue. Exchange controls would be established between the monetary union and the rest of the world. But within its borders 'the exchange of currencies would be free and without limits on the basis of the parities of each national currency vis-à-vis the common currency which, serving only as a unit of account, could be used only for the settlement of transactions'. At the union level, a 'West African reserve fund' or a 'West African payments union' would be created. This would have at its disposal the currency reserves of the monetary union. The contributions of each member state would be individualised and expressed in the joint account unit. The fund's role would be to manage the common unit of account and to represent African countries in international organisations such as the IMF and the World Bank. It would grant loans to those member states which request one and, depend-

ing on the case, a parity adjustment could be envisaged. Mamadou Diarra's proposal has the advantage of allowing the monetary integration between the member countries of the two monetary blocks of the franc zone, and then extending it to other countries in a pan-African perspective. About ten years later, in 1983, a group led by the French economist Christian de Bois-sieu made a very similar proposal.³⁸

A resolute supporter of the 'monetary liberation' of Africa, Joseph Tchundjang Pouemi also defended, in 1980, the idea of monetary integration within 'a space composed of politically free countries, each with its own currency, but bound by fixed exchange rates and the free movement of capital and possibly the pooling of foreign exchange reserves'.³⁹

All these ideas should be updated today to reflect the imperative of African integration and the need to end any paternalistic or imperialist protection. A system of national currencies pegged to each other according to fixed but adjustable parities to a pan-African account unit (which initially could have a regional character and later be extended to the rest of the continent), all under the supervision of an African Monetary Fund in which a more or less significant percentage of the foreign reserves of the African countries is centralised, today appears to be the wisest, most pragmatic and most promising solution. The existence of a common unit of account and the relative stability of exchange rates would facilitate trade linkages and strengthen economic integration.

Is it wise to limit the deficit and debt of governments?

Rules that set a limit to a country's deficit and debt levels are based on the principles of so-called sound finance, which are extremely arbitrary and have no valid theoretical foundation. Their role today is to subject states to the regulation of financial markets. Two objections can be raised against these rules. Firstly, due to a simple accounting identity, the government deficit always corresponds to a surplus in the non-governmental sector (the domestic private sector, that is, businesses and households; and the rest of the world). Assuming that the relations with the rest of the world are in balance, a budget surplus corresponds exactly to a domestic private sector deficit. Private debt often has much more devastating economic consequences than public debt. Moreover, the great crises of capitalism have often been preceded by periods of budget surpluses, which coincided with a rapid growth of private debt.⁴⁰ Secondly, the fiscal deficit and public debt



are instruments that help regulate the economic cycle. According to the principles of functional finance laid out by the economist Abba Lerner,⁴¹ the 'good' level of public deficit is the one that allows for the full employment of a country's resources, while the 'good' level of public debt is the one that allows the government to obtain its desired domestic interest rate.

Obviously, criticising the rules of sound finance is not the same as saying that states should incur deficits and public debts without limits. Rather, it is a matter of taking note of a fact: a state with a sovereign currency – that is, a state that issues debt only in its own currency, a national currency with a flexible exchange rate – is not subject to any financial constraint, unlike a household or business. It can never 'run out of money'. And it could also aspire to full employment.⁴² As the economist Ann Pettifor writes: in modern financial systems, 'there is never a shortage of money for society's most important needs. Instead the relevant question is: who controls the creation of money? And to what end is money created?'⁴³ In today's world, the power of monetary creation (that is, of creating money *ex nihilo*) has been conferred upon private commercial banks, not for the purpose of serving the collective wellbeing but solely for the purpose of serving the banks' profits. In the franc zone, this power is repressed under the pretext of maintaining a fixed parity with the euro and of disciplining the states. The irony is that these states, whose internal financing capacity is limited, are often forced to borrow in a foreign currency from international private banks that create money 'from nothing'!

Of course, this type of monetary integration will be more likely to succeed if it is accompanied by complementary economic policies conducted jointly and aimed at strengthening local productive capacities and intra-African trade. In the case of the ECOWAS, for most countries food and energy products (oil and gas) account for between 25 and 60 per cent of the value of their imports of goods.⁴⁴ Yet West Africa has everything it needs to ensure its food and energy self-sufficiency. By ending their dependence in these two sectors, West African countries would free up a significant part of their foreign exchange reserves for other purposes, with a more sustainable economic impact. This would help reduce their financial dependence on the rest of the world. At that point, they would be in a position to equip themselves with more flexible exchange rate regimes, which would accompany their industrialisation efforts. This does not only apply to West Africa, but to the entire continent.

Epilogue

Established with the aim of modernising the colonial system, the CFA franc has gone through significant political and economic turbulence in the past 70 years without significant changes. The franc zone – the oldest monetary union in the world – does not, however, owe its longevity or ‘resilience’ to its socioeconomic performance. In all the countries where the CFA and Comoros francs circulate, the underdevelopment of human potential and productive capacities is the norm. The CFA system has stimulated neither the trade integration of its members, nor their economic development, nor their economic attractiveness. On the contrary, it has deprived countries of the possibility of conducting an autonomous monetary policy, paralysed their productive dynamics through the limitation of bank credit, penalised the price competitiveness of local productions through structurally over-valued exchange rates and facilitated destabilising financial outflows that are very costly in social terms.

If the CFA franc continues to exist, in spite of the most elementary economic and political sense, it is because a series of very powerful actors benefit from it. The franc zone contributes to maintaining a private domain for France and guaranteeing monopoly positions for French enterprises, while the French state has access to reliable sources of low-cost raw materials that it can pay for in its currency, all with the more or less active complicity of the African elites who have come to power – and remain in power – with France’s support. The anachronism of the CFA franc survives, therefore, because it satisfies both the interests of the French as well as those of the African ruling classes.

However, this situation of neocolonial monetary dependence and the mug’s game on which it rests are today being increasingly called into question. While the abolition of the franc zone and of its mechanisms will not solve all the economic problems of the countries that are part of it, it is however an indispensable step in order to allow these countries to develop economically and socially. But for the states of the franc zone to be able to build a real alternative to the CFA and Comorian francs, they will have to meet at least three important conditions.

First condition: good monetary management. Since the leaders of the franc zone haven't always given priority to the public good, many African citizens opposed to the CFA system are worried about the possible consequences of monetary liberation. They believe that entrusting the 'printing press' to irresponsible rulers would make their countries fall into economic instability or monetary chaos. This concern is legitimate. If we want to avoid unpleasant surprises, it will be necessary to establish safeguards in the monetary field. However, the need for 'good governance' should not be considered a prerequisite to be met before considering abandoning the CFA system: the struggle for monetary liberation is inseparable from that for democracy, transparency and accountability in the management of the currency and public accounts. It should be noted, however, that good monetary management does not mean adhering to the dogmas of sound finance, which make monetary policy an essentially 'passive' tool.

Second condition: the creation of a new monetary system entails a repeal of the basic principles of the franc zone, which remains structurally colonial and incompatible with the concept of monetary sovereignty. African leaders cannot continue to entrust the monetary destiny of their states to the French government, ignoring the dangers of such an approach. This is especially in light of the fact that the fate of the euro itself is uncertain and that economic and financial warfare – both between rich countries, as well as between rich countries and those emerging countries that demand a greater role on the global stage – has now become as destabilising as 'conventional' warfare.¹

It is also necessary to keep in mind that in our age, marked by the free movement of capital, monetary sovereignty, including sovereignty over financial flows, has become at least as important as political or territorial sovereignty. As explained by Katharina Pistor, professor of law at the Columbia Law School in New York, a twenty-first-century state is truly sovereign only to the extent that it has its own sovereign currency.² That said, if many countries have their own national currency and therefore enjoy monetary sovereignty in the legal sense, very few can be said to have currency sovereignty from an economic point of view. This is due to the fact that they have not reached financial independence, as evidenced by the fact that they continue to borrow in foreign currency and on the basis of foreign law. In fact, a state that depends on foreign currency-denominated external financing to solve its balance of payments problems is not able to conduct an autonomous economic policy, even if it has its own national currency:

the funds it receives are often accompanied by conditionality clauses that limit its autonomy. For example, most African countries that have their own national currency, such as Ghana, Angola or Mozambique, depend on IMF funding and are forced to manage their currency and budget according to the requirements of the Bretton Woods institution. According to Katharina Pistor, only the United States, Britain, Japan, China, Canada, Australia and Switzerland can today be considered truly monetary sovereign countries, in the sense that they have a currency with a flexible exchange rate and generally borrow only in their own currency.³

A state that has its own sovereign currency has a big advantage: it can never become insolvent in its own currency. Similarly, a country that manages to set up a well-managed banking and financial system can finance important projects without having to resort to external financing.

States wishing to free themselves from the CFA franc and acquire relatively more sovereign currencies have to work to gain their financial independence. Because freeing oneself of the French monetary tutelage simply to find oneself under the tutelage of the IMF wouldn't be a big improvement. It would rather be like going from Charybdis to Scylla. That said, without sovereign currencies there is simply no way of achieving the 'mobilisation of internal resources' that various African leaders talk about as a way of reducing the share of foreign funding in their states' budgets.

If they are serious about the question of monetary sovereignty, the African countries of the franc zone must also guard themselves against the destabilising impact of capital flows, a necessity highlighted even by the IMF, one of the bastions of the neoliberal orthodoxy, after the financial crisis of 2007–08.⁴

Third condition: the currency must be placed at the centre of a self-centred development strategy. Abolishing the CFA system risks having limited utility if it does not break with the extroverted development model. If many African currencies are formally national, but in fact administered by the IMF, and don't inspire confidence, it is often because they circulate in economies that follow the dictates of contemporary globalisation and its agenda of economic liberalisation. An exit from the CFA franc will be successful only if it is part of a larger project to regain all the tools of economic sovereignty: budgetary policy, industrial and commercial policy, control over capital flows and so on. This includes the renegotiation of trade agreements and bilateral investment treaties, the revision of mining codes and investment codes and the resistance to the liberalisation policies

suggested by the IMF and the World Bank, which are often the product of ideological dogmatism rather than of an objective analysis of national situations. Instead of putting all their hopes on a model of growth based on exports and foreign investment, countries will above all have to expand and protect their domestic markets. This means starting from the fundamentals, that is, from the development of each country's agricultural sector and small and medium-sized enterprises and industries.

It is important to bear in mind that independent financing and development cannot take place without an independent currency. 'A monetary system supported by the resources of a foreign state is *ipso facto* subordinated to the trade and financial arrangements of that foreign country', said the president of Ghana Kwame Nkrumah at the first summit of the Organisation of African Unity (OAU), on 24 May 1963.⁵

The challenge is enormous and will require substantial resources. But these are not lacking to Africa.

Postface

Since the publication of the French version of this book in September 2018, the CFA franc has become a major topic within public debate in French-speaking Africa and beyond. This greater media and political visibility, a major achievement in light of a long history marked by secrecy and repression, is to the credit of pan-Africanist movements, economists, intellectuals, etc. from the continent and the diaspora. Their mobilisation, amplified every day by social networks, has contributed to raising awareness among a growing number of African citizens about the misdeeds of the last colonial currency still circulating on the continent. As proof of the important work of political education that has been carried out, a recent poll shows that 66 per cent of Togolese believe that the CFA franc benefits mainly French interests. The same proportion of respondents believe that it should be abolished.¹ The slogan '*France Dégage!*', created in the context of Senegal to demand French withdrawal from the CFA system, has now become a rallying cry that transcends borders.

Predictably, the growing pressure of African public opinion has forced the French authorities to react and make some concessions. French president Emmanuel Macron, who stated in Ouagadougou in 2017 that the CFA franc is an 'African currency' and therefore a 'non-issue for France', has come to publicly acknowledge France's central role in the CFA system. On 21 December 2019, at a press conference in Abidjan with his Ivorian counterpart Alassane Ouattara, he announced a 'historic reform' which he said would address the self-determination demands of African youth.

Three changes are expected: the BCEAO will no longer be obliged to deposit 50 per cent of its foreign exchange reserves with the French Treasury, which will *de facto* lead to the closure of its operations account; there should no longer be any representatives of the French state on BCEAO bodies; and finally, the WAEMU CFA franc should be renamed the 'éco'. When this reform, prepared in the greatest secrecy, was announced, parts of the French and international press spoke hastily of the 'end of the CFA franc', not always taking care to point out that these developments only concern WAEMU for the moment.

To turn the page on the CFA franc in West Africa, the WAEMU countries should at least have terminated the cooperation agreement between them and France. This is not the case since this agreement has been renewed without being made public. France will maintain its role as 'guarantor' of the convertibility of the CFA franc, a role it has rarely exercised and which it can no longer perform because of its own budgetary difficulties.² Similarly, the fixed peg to the euro has been maintained, even though it has been the target of most of the criticisms of African economists since it implies the subordination of WAEMU's monetary policy to that of the eurozone.

In addition to the fixed peg and the so-called French 'guarantee', freedom of capital and income movement, the third principle of the CFA system, is also still in place. This too should not come as a surprise as it is an important pillar for French companies. According to a report published in 2019 by the French Ministry of Foreign Affairs, 49 per cent of French companies operating in the CFA zone consider it to be 'an extremely favourable asset for business'. The same document predicts the future of the CFA franc: 'In the next sixty years, the most likely scenario is not its abandonment, but the continuation of its mutations.'³

As for the fourth and last operating principle, the centralisation of foreign exchange reserves with the French Treasury, it does not really disappear. The Macron reform marks the transition to a more indirect system of control. Despite the closure of the operations account, there is nothing *a priori* to prevent the BCEAO from using its foreign exchange reserves to buy French government debt securities. As we have seen, the BEAC, for example, has made a habit of investing the non-mandatory portion of its foreign exchange reserves in French Treasury debt securities. In return for its 'guarantee', France will require, at a minimum, that the BCEAO inform it about the management of its reserves. The relationship between the Banque de France, the French Treasury and the BCEAO is not over.⁴

The changes announced do not therefore put an end to the CFA system and cede monetary independence to the WAEMU. Rather, they are in line with the logic followed over the decades by France as described in Chapter 3. Paris, with the support of Côte d'Ivoire, has addressed in its own way the most visible symbols of coloniality that are the most decried by pan-Africanist movements and intellectuals, but without touching on the fundamental elements that ensure French domination. Former BCEAO governor Philippe Henri Dacoury-Tabley described Emmanuel Macron's

reform as ‘window dressing’ and ‘prestidigitation.’⁵ The CEMAC zone could experience similar changes in the near future.

Beyond its concern to get rid of particularly embarrassing symbols, France sought through this reform to lay the groundwork for the enlargement of its monetary empire. The daring choice of the name ‘eco’ to rename the CFA franc is part of this strategy.

In June 2019, the heads of state and government of the 15 ECOWAS countries – including the eight WAEMU countries – chose ‘eco’ (short for ECOWAS) as the name of their future single regional currency, and chose to peg it to a basket of currencies. According to the agreed plan, countries that meet the nominal convergence criteria – the entry criteria – will be able to launch the eco. By deciding to rename the CFA franc the eco without notifying the non-WAEMU ECOWAS member countries, French and Ivorian presidents Macron and Ouattara have visibly tried to torpedo the monetary integration project designed by ECOWAS. Some Anglophone analysts have spoken of the ‘kidnapping’ of the eco,⁶ based on the fact that the WAEMU countries, with the exception of Togo, do not meet the criteria defined by ECOWAS and also on the invitation made by Macron to Anglophone countries, with the exception of Nigeria, to join the WAEMU zone.

On 16 January 2019, the Ministers of Finance and central bank governors of the countries of the West African Monetary Zone (Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone) met in Abuja and expressed their ‘concern’ about the ‘unilateral’ decision of the WAEMU countries to rename the CFA franc the eco. They considered it to be contrary to the ECOWAS roadmap.

While the French government’s desire to expand its monetary empire could jeopardise integration efforts in West Africa, it could also create a renewed pan-Africanist solidarity within the region. Until now, resentment against French imperialism has mainly concerned French-speaking Africa. It has been fuelled by the presence of French military troops in the Sahel, protests against the CFA franc and clumsy statements by French officials. Since 21 December 2019, France began to alienate English-speaking countries in West Africa. More and more intellectuals are mobilising so that France does not ‘steal’ the ECOWAS eco or at least that it does not set itself up as an obstacle to regional monetary integration.

Unfortunately, the problematic nature of the ECOWAS single currency, as described in Chapter 7, has not yet been debated. The current discussions on the limits of the euro area have so far not influenced the reflections on

the eco, its African counterpart. In the name of an abstract pan-Africanism, any objection to the risks and desirability of a euro-area type of monetary integration is generally dismissed and denounced as a desire to 'balkanise' the continent. Proponents of the eco seem to want to replace French monetary colonialism with monetary arrangements designed to serve the interests of global finance as a priority. The fight for economic and monetary sovereignty in the service of the prosperity of the African people can only continue, with or without the CFA franc.

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